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# NEW FEDERALISM: ITS IMPACT TO DATE

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## HEARINGS

BEFORE THE

## JOINT ECONOMIC COMMITTEE
## CONGRESS OF THE UNITED STATES

NINETY-EIGHTH CONGRESS

FIRST SESSION

## PART 2

APPENDIX

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U.S. GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C.

STATEMENT FOR THE RECORD
OF
CHARLES A. BOWSHER
COMPTROLLER GENERAL OF THE UNITED STATES
FOR THE
JOINT ECONOMIC COMMITTEE
UNITED STATES CONGRESS
ON
BLOCK GRANT IMPLEMENTATION

Mr. Vice Chairman we are pleased to provide this statement to assist your Committee in assessing how States and Federal agencies carry out their new responsibilities for administering block grants. We are providing our observations in the context of work we have conducted on the nine block grants authorized by the 1981 Omnibus Budget Reconciliation Act.

To assist the Congress in overseeing these nine programs and deliberating fiscal year 1983 block grant proposals, we sent teams to 13 States from December 1981 to March 1982 to obtain an early reading on the transition process and on the initial organizational and management changes made by the States. To accomplish this, our work had to be performed as block grant implementation was just unfolding, and States were in the midst of dealing with the uncertainties of block grant appropriation levels and how best to handle their new responsibilities in a short time period. Most block grants became effective on October 1, 1981--only about seven weeks after enactment of the block grant legislation. Consequently, at the time of our work it was much too early to draw any conclusions on the impact of block grants or on how States were administering the programs.

However, our report concluded that given the circumstances surrounding the initial transition, the States were making reasonable progress in the early stages of the transition. It appeared that States' previous experience under the categorical programs helped ease the transition process in the short time available. For instance, States already received the vast majority of funds under the predecessor programs and were heavily involved in administering programs such as those preceding the Social Services and Low-Income Home Energy Assistance block grants.

While States' experience helped ease the transition, ways to monitor block grant funded activities and to account for their use were still evolving at the time of our study. State legislatures were beginning to become more involved in block grant decisions, and States were establishing procedures both to audit expenditures and to obtain public participation in the block grant process.

Although some progress was being made, certain concerns did arise during our visits. Would Federal requirements that cut across individual Federal programs (i.e., requirements such as fair labor standards) apply under the block grants if the requirements were not contained in block grant statutes? Would State reports on block grant activities be sufficient to enable the Congress to assess how well the programs were working nationwide? Because our first look at block grants was very early, these concerns could not be explored deeply. Now that another year has passed we have started work in the same 13 States to explore those early concerns as well as focus on four major areas:

--The effect of block grants on services delivered to the people.

--Compliance with block grant legislative requirements.

--Management of block grant funds and activities.

--The availability of block grant information to decisionmakers.

Because this work is just beginning, we cannot provide detailed, current information concerning specific questions you asked us to address. In the interim, however, we can provide certain observations on several of your questions based on our initial transition work. Once our current review is substantially complete, we will be able to give the Congress and your Committee a comprehensive, up-to-date status report on block grant implementation.

Our observations and a description of our ongoing efforts related to each of your questions follow:

## Has program innovation been encouraged with increased responsiveness to each State's unique needs and priorities?

Initial block grant implementation in the 13 States largely centered on deciding how the block grant monies would be spent and dealing with Federal funding reductions for those programs where the reductions would be felt immediately.

Program changes were made most rapidly in block grants such as Social Services and Low-Income Home Energy Assistance which had the fewest legislative restrictions and no ongoing categorical outlays. For example, to cope with funding reductions in the Social Services block grant, 10 of the 13 States we visited altered previously established funding patterns, and seven States transferred Low-Income Home Energy Assistance funds into Social Services. In the Low-Income Home Energy Assistance program, States also used their new flexibility to fund weatherization--an activity not authorized previously.

For the other block grants in operation at the time of our review, States made some adjustments, but the type of activities initially funded did not differ much from those funded under the prior Federal programs for several reasons. First, continuing Federal outlays from awards made under certain prior categorical programs gave States additional time and resources to implement the three health block grants and the Community Services program. Such outlays also eased the initial effect of the reduced funding levels that accompanied these block grants. Second, the short time frame preceding implementation coupled with legislative provisions designed to ensure continued funding for established services and grantees limited the scope of initial changes. For example, for fiscal year 1982, the Alcohol, Drug Abuse and Mental Health Services block grant provided continued funding for community mental health centers that had been federally funded in fiscal year 1981. Third, when reductions were necessary, officials most often reported making them proportionally.

As the field work for our prior study concluded in March 1982, it appeared that more time would be needed before more wide-ranging changes to program priorities and design could appear. We are currently gathering information on block grant funding changes and patterns in the 13 States included in our initial study. We plan to determine what programs and service providers States are funding and what services are being delivered and populations served with block grant funds. Information also will be obtained on the processes States employ in deciding how to use and distribute block grant moneys.

## Is there evidence of increased administrative efficiency and cost savings?

State officials we talked to last year expected to achieve some efficiencies from the block grants' reduced applications, reporting, and other administrative requirements, but they were uncertain about the magnitude of cost savings. Some officials offered their early impression that administrative cost savings would not compensate for the budget reductions which accompanied the blocks, and several noted that the States' assumption of additional responsibilities under the blocks would lead to increased costs. Many officials believed, however, that it was too early to make any definitive judgments on administrative costs or efficiencies emanating from the block grants. Our initial work confirmed this latter point of view.

There are many inherent difficulties in analyzing the issue of whether block grants will yield administrative cost savings. These difficulties include

--differing definitions of administrative activities and

--problems at the Federal, State, and local levels in identifying administrative costs because they often are not accounted for on a program-by-program or grant-by-grant basis.

Our current work is directed toward identifying what the States are reporting as administrative costs for the various block grants, what definitions and documentation such costs are based on, and whether reported costs are within the legislatively imposed ceilings. Using this information, we will assess whether a sound methodological approach can be developed for addressing the more complex question of whether block grants have resulted in reduced administrative costs. Quite frankly, we are not optimistic that a methodology can be developed to provide meaningful information at a reasonable cost because of difficulties mentioned above.

## Has there been an increase in public participation in decisionmaking on the uses of Federal funds?

During early block grant implementation, States used various methods to obtain local views on the use of block grant funds. Of the 13 States we visited, 11 held public hearings; however, attendance at the hearings and the number of block grants covered by them varied considerably. Persons attending these hearings included representatives of local governments, public interest groups, and private organizations as well as local citizens. Advisory committees had been or were being established at the time of our visits, and States were making intended use reports and plans available for review and comment.

Although a few modifications were made, most State plans were not changed as a result of public comments. State officials said this was primarily because little time was available before the first year block grant applications had to be filed. State methods for obtaining future public participation had not been finalized at the time we completed our work.

Local organizations we contacted last year had varied opinions of the States' initial efforts to solicit local input. Some believed that States provided adequate opportunities for them to register their views. Others believed that better coordination was needed. Overall, most organizations generally believed that the extremely short time frame between when the block grants became effective and when the States had to make initial funding decisions made it difficult for them to obtain public input in a orderly and comprehensive manner.

Our current work should provide a more comprehensive assessment of how local government and their citizens participated in decisions concerning how to use block grant funds. Our work will focus on the way in which intended use reports were made available for public review and comment, the nature and extent of public hearings held by the States, and the degree to which advisory committees have contributed to the process. We also plan to obtain the views of local governments, service providers, public interest groups, and others on the adequacy of the states' public participation process.

### Have Federal funds been monitored to assure their use for intended purposes and in compliance with relevant statutory and cross-cutting requirements?

In keeping with the philosophy in the block grant statutes and regulations the Administration continues to emphasize that States are to place reliance on their own laws and procedures in administering block grants. Federal agencies have been adhering to a policy of minimal involvement, and continue to stress that States have the flexibility to interpret applicable Federal laws and regulations in managing their programs.

Because our earlier block grant field work was completed by March 1982, none of the required investigations and audits had yet been performed. Federal agencies were just beginning to develop procedures for conducting the investigations which, under certain block grants, must be done in several States annually to review compliance with the block grant statutes and State assurances. Similarly, States were just beginning to develop their plans for obtaining independent audits of block grants.

Our current review will focus on how States are complying with Federal requirements, including both cross-cutting and block-specific requirements. We will also be obtaining information on State and Federal monitoring efforts undertaken to assure that block grant funds are used for intended purposes.

One important cross-cutting requirement contained in all block grant statutes or regulations deals with nondiscrimination. In this area, our current work will focus on determining what Federal and State officials are doing to carry out their civil rights responsibilities and on identifying how the interests of protected groups are considered in making block grant decisions.

In closing, Mr. Vice Chairman, I believe the work we have recently begun should provide a comprehensive, up-to-date picture of block grant implementation. As the results of our study are obtained in the coming months, we will keep your Committee and other interested committees fully apprised.

The Heritage Foundation Backgrounder

No. 228

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A New Federalism Task Force Report

November 24, 1982

# WHY BLOCK GRANTS WORK

## INTRODUCTION

The New Federalism initiative is one of the Reagan Administration's most promising attempts to reduce the size and role of the federal government and to return the responsibility for basic social programs to the states. Recent signs that the White House is retreating from its original proposals have appeared, ironically, just as evidence emerging from the 1981 block grant experience reveals the states to be sophisticated and efficient when given discretion over such programs.

Statements made during the summer indicate that top White House officials in the Office of Intergovernmental Affairs have all but agreed to the position of the National Governors Association that the only acceptable part of the New Federalism initiative outlined in the 1982 State of the Union address would be the nationalization of the $30 billion Medicaid program. The Administration has withdrawn from its original plan (opposed by the governors) to turn over the $9 billion Food Stamp program to the states, and has dropped part of its plan to streamline maintenance of effort standards, mandatory pass-through requirements, and other rules that increase costs and restrict experimentation.

Yet the experience of the 1981 block grants suggests that the states are capable of assuming administrative and financial responsibilities for even more programs. The data show that the states can absorb the cuts in federal aid associated with the blocks and make appropriate cost savings without unduly reducing services or increasing taxes. The evidence also shows, however, the need for greater flexibility to enable states to experiment further and better use their block grant funds.

It is important to the New Federalism debate that the experience of the 1981 block grants be understood and its lessons

*Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.*

properly drawn. Failure to appreciate this experience has prompted many legislators and, apparently, Administration officials to press less vigorously than they should for the decentralization of basic support programs that is a key element of New Federalism.

## BACKGROUND

Federal grants-in-aid to the states have been growing rapidly. Since 1961, the number of categorical aid programs slated for states has trebled, reaching 510 in FY 1981.[1] Federal spending for those programs amounted to $94.4 billion in FY 1981, up $3 billion from 1980 and $12 billion from 1979.[2] The average annual growth rate for those programs over the twenty-year period was 13 percent, or roughly three times the growth in Gross National Product. Categorical grants-in-aid to the states constituted 3.4 percent of the 1981 GNP, compared to 1.4 percent of the 1961 GNP.[3]

### The Advantages of Block Grants

The rapid growth in federal aid was seen by many as a welcome indication of a national commitment to resolve supposed national problems and to offer states needed monies to finance basic service programs. However, such growth brought with it increased federal influence over state and local policies. The typical grant featured 300 to 500 separate spending requirements on state governments.[4] White House officials estimate that regulations attached to just one of the nutrition programs involved 62 million "burden hours" of paperwork annually.[5] Those millions of man-hours spent on paperwork did more than siphon resources that could have been directed to actual service delivery. They also were a clear signal that federal authorities intended to use the spigot of public monies to change the course of state and local policies.

This "mandate millstone," as New York City Mayor Ed Koch described the hundreds of thousands of changes states must make routinely in their own programs to accommodate federal directives, is a major problem to states in securing block grants. The millstone burdened each of the 500-plus categorical aid programs for the states. In some cases, mandates were reinforced with sanctions imposed by federal authorities to force states to comply.

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[1] A cogent history of categorical grants is given in Thomas Ascik, "Block Grants and Federalism: Decentralizing Decisions," Heritage Foundation Backgrounder #144, June 5, 1981, pp. 18-23.

[2] See Reagan and the States (Washington, D.C.: American Legislative Exchange Council, 1981), p. 4.

[3] Additional statistics about categorical grants-in-aid are provided in "Fact Sheet: Federalism Initiative," distributed by the White House, Office of the Press Secretary, January 27, 1982, pp. 2-4.

[4] Ibid., p. 3.

[5] Ibid., p. 4.

The regulations and spending mandates that accompanied the Elementary and Secondary Education Act (ESEA) are but one example of federal influence. Federal spending in 1981 amounted to only 8 percent of all monies spent on education. Yet this had a disproportionate impact on states and localities because it financed almost 100 percent of student loan, nutrition, and specially targeted aid programs. To qualify for this 8 percent, the states (which bore 88 percent of all education costs) were required to prove compliance with a variety of curriculum, hiring, and admission standards. These forced states to start new programs or revise existing ones without regard to efficiency or local desires. Among the most controversial of the requirements are bilingual education and school busing.

### The Critics of Block Grants

Criticism of block grants has mounted on several fronts. It is argued, for instance, that the states' own sources of revenue are so strained they cannot afford to bear the cuts in federal outlays that are a part of the block grant strategy.

A May 14, 1981, letter to all Members of Congress signed by 63 public interest groups maintained that: "These [block grant] proposals will certainly mean two things: less assistance to those in genuine need in these areas and a brutal political struggle at the state level where the most vulnerable and those without clout are certain losers."[6]

These critics presume that reductions in block grant monies would prove insurmountable obstacles to the states. The assumption was that costs would not be balanced by reduced overhead and compliance costs. This ignores the proved capability of state governments to make significant changes in priorities and coverage within a relatively short period.

Critics also maintain that the states would be unwilling and uncaring administrators of services. This implies that only the federal government is capable of compassion. Dozens of welfare and civil rights groups complained that states would use block grants as an opportunity to gut basic benefits and service delivery for the needy.[7] Carl Rowan, in a column entitled "Help for Needy Retreats to Block Grants Shelter," wrote: "In hundreds of [economic] areas of life, state and local officials were unable to meet the needs of families that couldn't pay fuel bills or dental bills, or bills of other vital needs. In some cases--food programs, for example--troglodyte local officials even rejected what they could have for free from Uncle Sam."[8]

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[6] "Coalition Condemns Plan for Block Grants to States," Washington Post, May 21, 1981. A June 24, 1981, memorandum written by Susan Phillips of The Conservative Caucus demonstrates that many of the 63 groups were recipients of large amounts of federal grants. Mrs. Phillips documents, among other facts, that some of the groups are actually affiliates or projects of groups mentioned elsewhere on the list. Other groups had no phone numbers, were unaware that they were on the list of 63 groups, or were projects that existed solely through a federal grant.

Key lobby groups, such as the U.S. Conference of Mayors and the National Conference of State Legislatures (NCSL), oppose wholesale distribution of discretionary power to states--not because states are inexperienced or incompetent overseers of programs but rather because they see the states as stingy in distributing monies to the cities and counties.

Concern over the capabilities and dedication of state governments ignores the impressive political maturation of state legislatures during the last ten to fifteen years. Between 1974 and 1980, the number of legislative committees and support staff doubled. Professor Alan Rosenthal of Rutgers University concludes:

> State Legislatures have recently undergone significant change.... Legislatures are more likely to meet annually than biennially. They spend more time in session than before. Professional staff has increased. Research agencies nearly everywhere are larger, many more important standing committees have assistance and leaders in more than half the states have full-time staff support."[9]

In fact, it has been these improved resources that have enabled the states to establish such a commendable record on assuming responsibility for the block grants.

## THE 1981 BLOCK GRANTS

The nine block grants, passed by Congress as part of the 1981 Omnibus Reconciliation Act, contain the following principal provisions:

Maternal and Child Health Services. Seven categorical grants are consolidated--Maternal and Child Health, Supplementary

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[7] For specific comments by those groups, see "Block Grant Proposal Carries Few Strings," Washington Star, March 7, 1981.

[8] Washington Star, May 31, 1981.

[9] Dr. Alan Rosenthal, Legislative Performance in the States (New York: The Free Press, 1974), pp. 2-3.

Security Income [Children], Hemophilia, Sudden Infant Death Syndrome, Lead-Based Poisoning Prevention, Genetic Diseases, and Adolescent Pregnancy. The consolidation is designed to enable states to improve the health of mothers and children and support special research, training, and service programs. This block grant is funded at $373 million for FY 1982.

Preventive Health and Health Services. This program consolidates eight categorical grants, including Home Health Incentive Grants, Fluoridation, Rat Control, Health Education/Risk Reduction, Hypertension, Emergency Medical Services, and Rape Crisis Counselling. The consolidation is designed to improve the health of recipients by preventing incidence of unnecessary injury, illness, or death. This block grant is funded at $95 million for FY 1982.

Alcohol and Drug Abuse and Mental Health Services. This consolidates five programs--Alcohol Project Grants, Alcohol Formula Grants, Drug Abuse Project Grants, Drug Abuse Formula Grants, and Mental Health Services. The consolidation seeks to improve the health of recipients by providing treatment, prevention, and rehabilitation services. This block grant is funded at $491 million for FY 1982.

Primary Care. This applies to only one categorical grant, the Community Health Centers, which is converted into a block grant by increasing state alternatives for providing primary health care. It is funded at $302 million for FY 1982.

Social Services. This block redesigns three programs previously authorized under Title XX of the Social Security Act--Social Services, Day Care Services, and State and Local Training. The primary purpose is to prevent or remedy neglect, abuse, or exploitation of vulnerable children and adults and to prevent inappropriate institutional care. It is funded at $2.45 billion for FY 1982.

Low-Income Energy Assistance. Designating the Low-Income Energy Assistance Program a block grant gives the states more flexibility in their assistance to eligible households for heating, cooling, and weatherization costs. Consolidation also reduces federal requirements for state assistance under the program. This block is funded at $1.87 billion for FY 1982.

Community Services. The consolidation redesigns programs previously administered by the Community Services Administration, including Community Action, Senior Opportunities and Services, Community Food and Nutrition, Training and Energy Conservation, Evaluation, and Technical Assistance. Consolidation is designed to enhance the anti-poverty efforts of federal, state, and local governments. This block grant is funded at $389 million for FY 1982.

State Community Development Block Grant Program for Small Cities. This consolidation gives states the option of taking over responsibility for a program previously administered by the Department of Housing and Urban Development. It seeks to enhance housing, income, and environmental living conditions for low-income individuals. The block is funded at $1.08 billion for FY 1982.

Elementary and Secondary Education. This consolidation has two chapters. The first streamlines programs in Title I of the Elementary and Secondary Education Act--Basic Grants to Local Education Agencies, Concentration Grants, Migratory Children, Handicapped Children, and Neglected and Delinquent Children. Chapter 2 consolidates 27 other elementary and secondary programs, such as Basic Skills, PUSH-EXCEL, Metric Education, Consumer Education, Library Resources, Community School Aid, Gifted and Talented, Ethnic Heritage, Teacher Corps, and Alcohol and Drug Abuse Education. This block grant is funded at $518 million for FY 1982.

## HOW CONSOLIDATION WORKS

The Reagan Administration's 1981 economic recovery plan stressed two aims of block grants: (1) to reduce the cost and number of federal-state categorical programs and (2) to limit the growth of aid under such programs.[10] To achieve these goals, the Administration proposed to consolidate almost 100 different categorical programs into seven blocks--grants that would allow states to implement the programs free from the need for annual reports, maintenance of effort standards, state matching funds, or even the submission of applications for the grants. The grants would have been funded automatically without the means tests and application procedures associated with categorical programs.

The block grants were supposed to involve substantive regulatory reform for many categorical grants. This was to result in less overhead, a greater share of benefits going to the needy, increased flexibility for state and local officials, and improved political accountability for the programs. Robert Carleson, Special Assistant to the President for Policy Development, summarized the block grant rationale:

> In conjunction with regulatory reform, block grants are designed to reverse the trend towards greater federal control over state and local programs. They represent a means of ameliorating the impact of federal spending reductions, which are required in this economic climate.

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[10] "Consolidating Categorical Programs into Blocks," A Program for Economic Recovery, 1981, pp. 7-1 and 7-2.

> Block grants reduce state and local compliance costs, eliminate waste, reduce federal administrative costs, and make state and local officials directly accountable to their constituents.[11]

Despite Carleson's assurances, some observers point out that the consolidations are not true block grants, for they include the sort of restrictions that characterized the grant consolidations of previous administrations. Many governors, for instance, have their doubts. Said Governor James Thompson to the Illinois General Assembly: "We were promised relief from regulations and mandates. Instead, the states will receive these half-hearted, watered-down versions of the original proposals. We got the cuts, but not the flexibility."[12]

### Earmarks

It is easy to understand why the 1982 grant consolidations might be considered "categorical" conversions instead of "block" conversions. In some cases, Congress attached provisions to the grants that escalated costs beyond what the states might have authorized otherwise. In other cases, Congress enacted spending and distribution restrictions that made the states little more than a conduit for carrying out a federally prescribed course of action. One example is the "earmark," a term referring to the percentage of grant funds that must be set aside for a purpose prescribed by statute.

Earmarks limit the range of spending and management options of a state. In the Elementary and Secondary Education Block Grant, for example, 80 percent of the funds available from the federal government must be "passed-through" automatically to local education agencies "on the basis of relative enrollment adjusted for relative numbers of higher cost children." With the education block, therefore, the states not only must give the lion's share of their monies to local entities, but also must distribute the monies in accordance with a formula mandated at the federal level. The earmarks in the education block are typical of the 1981 blocks. Six of the seven health block grants include such set-asides.

By reducing the states' ability to assign priorities for funding topic areas, the earmarks inhibit the states from redesigning previous categorical grants into a system uniquely responsive to their own needs.

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[11] The White House, Office of Policy Development, "Summary Fact Sheet: The Administration's Block Grant Proposals," May 14, 1981.

[12] Quoted by Illinois State Representative Penny Pullen in "Guest Editorial," in The American Legislative Exchange Council's First Reading, October 1981.

## Reporting and Audits

The spending mandates are one of the structural constraints imposed by Congress on block grants. Others require states to conduct reporting and audits of the block grant programs. Additionally, the blocks are still subject to federally required "cross-cutting mandates," even though the very purpose of the grant consolidations was to relieve the states of onerous tasks associated with federal rules. Cross-cutting mandates oblige the states to adhere to a wide variety of federal statutes of which they may not be aware. Those include affirmative action quotas, access to handicapped rules, Davis-Bacon construction wage requirements, and the Uniform Relocation Assistance Act. The latter raises potential financial problems for the states in that it requires governmental units to compensate individuals who are displaced because of a government project.

## The GAO Findings

The block grant pitfalls left open by Congress were recently highlighted in an August 24 Report to the Congress by the U.S. General Accounting Office (GAO). The 57-page report noted the same earmarks and reporting requirements outlined above. The GAO added the observation that mandatory pass-through provisos and the slow rate of federal-state money disbursements complicated state planning efforts. In some states, according to the GAO, federal requirements forced the states to "sharply increase expenditures" in some of the blocks.[13]

In general, however, the GAO gave high marks to the states for overcoming initial obstacles to block grant efficiencies. One of the most important factors that favored the states at the outset was their working familiarity with block grant recipients. The report cited Colorado, Kentucky, Washington and Michigan as prime examples of states continuing to use previously funded grantees as service delivery systems. "Because of states' prior experience, relatively few organizational adjustments were needed," stated the GAO report. The GAO added: "In addition to employing existing organizational structures, states drew upon their institutional knowledge for carrying out block grant responsibilities. For most block grants, details on how the previous programs were run, their purposes, and the activities required were well known. Moreover, states often had existing relationships with service providers."[14]

The GAO report is useful to the extent that it reaffirms the states' abilities to be creative under pressure. However the report raises some unanswered questions that will be dealt with elsewhere in this Backgrounder. The report declares that states made few organizational changes during the categorical-block grant transition, but does not identify savings that states made in the process. The report mentions that private contractors from the categorical system were retained under the blocks, but does not examine how previously covered recipients are affected. It notes that state legislatures are becoming more active in oversight and implementation of the blocks, but does not analyze how their increased role affected eligibility criteria. The report identifies institutional obstacles that impede program efficiency, but does not suggest ways to improve the block grant structure in a meaningful way. And finally, the report restricts itself to 13 specific states, without any reference to successes achieved in the other 37.

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[13] Report to the Congress by the Comptroller General, "Early Observations On Block Grant Implementation," U.S. General Accounting Office, Report #GGD-82-79, August 24, 1982, p. 25.

[14] Ibid., p. 12.

### Flexibility

The GAO study is correct in stating that the block grant legislation enacted in 1981 gives the states some important flexibility. In the Social Services and the Alcohol and Drug Abuse and Mental Health blocks, Congress repealed a matching fund requirement which, under the categorical system, obligated the states to appropriate monies from their own treasuries equal to the federal outlay. In four new blocks (Low-Income Energy, Community Services, Preventive Health, and Alcohol and Drug Abuse and Mental Health), states can transfer funds from one block to another. In all the blocks, states can decide how to design and write their applications for funding. Freed from standard forms, the states will "save" 5.4 million man-hours that would otherwise have been spent on paperwork, according to Office of Management and Budget estimates. These reductions in man- hours will reduce paperwork time by 83 percent.[15]

Flexibility is also gained in that the states can now decide the date of their participation in the block grant program. This option is an important political concession to the states since the final form of block grant legislation was not clear until several months after the states' fiscal year began (for 46 states, the date is July of each year). States needed time to develop applications, prepare demographic data, project expected participation, and itemize probable outlays. Granting discretion to the states regarding the date of participation gave them the opportunity to phase out efficiently the categorical system and the time to solicit bids from the private sector for some block grant functions.

In sum, it is debatable whether the 1981 grant consolidations represent true block grants. State governments did not have unbridled discretion regarding financial and administrative management. On the other hand, the states did have some latitude regarding contracting out of services, transfer of funding, and gradual conversion from categorical to block grants. Additionally, the block grant consolidation offered significant reductions in compliance costs and paperwork burdens.

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[15] U.S. Office of Management and Budget, "Block Grant Implementation: Effect of Block Grants on Paperwork Reduction," Attachment #3, September 21, 1981.

## PROGRESS OF THE BLOCKS: IMPLEMENTATION

Block grant enabling legislation was purposely vague on the matter of responsibility--in the case of all the blocks except education, "the state" meant the governor or the legislature. It was equally silent about process, state compliance with civil rights guarantees, distribution of benefits, and the procedures that each state should use to ensure public participation in the block grant process. The Children's Welfare League, the League of Women Voters, the Center for Community Change, and other interest groups expressed serious concern that the public would be excluded from the block grant process, once those jurisdictional and technical questions were resolved.[16]

Two-thirds of the nation's governors have formed task forces to review block grant problems; these are mainly advisory bodies and are not authorized to dictate the nuances of implementation.[17] Similarly, several state legislatures have voted themselves the authority to apply for or accept block grant applications. Most states are administering the blocks by using existing personnel. A handful of states, notably Louisiana and Texas, are using the federal block grants as an opportunity to merge similar state programs into a single state office.

Some states have found that block grants are useful for giving local governments more control over basic benefit programs. California and Oregon are the two states most actively decentralizing block grants to the county level--so-called mini-block grants. California officials have already given counties complete authority to administer the Social Services Block Grant. As a result, state officials feel that they can absorb the funding reductions that accompanied the block grant. Only a minimal number of state personnel is needed to oversee the counties' efforts. The counties, meanwhile, are using volunteer services and private contractors to cut costs. The California innovations have attracted attention; the Pennsylvania and Illinois General Assemblies, for example, are now debating the prospect of establishing mini-block grants for their state-local grant awards.

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[16] Those concerns are detailed in a lengthy "Briefing Book" about block grants (Washington, D.C.: Center for Community Change, 1981).

[17] James Stockdale, Deputy Undersecretary for Intergovernmental Affairs, Memorandum to Regional Directors, U.S. Department of Health and Human Resources, May 24, 1982., p. 23.

Critics' fears that the public would be excluded from the process have proved unfounded. Federal enabling legislation requires states to conduct an initial public hearing about the distribution and structure of the blocks. Indeed, states had to hold such hearings before they could receive the block awards. The states have complied with this mandate and are making public hearings a regular, integral part of the block grant process. In a few states (notably Utah and Virginia), the executive branch of the state government has established toll-free telephone numbers through which the public can report problems or successes with the blocks.

Other states have been equally innovative in tapping public views of block grants. Efforts range from advertising in newspapers and on television to holding field hearings in the locations most likely to benefit from the blocks. At a Nebraska hearing, approximately 1,500 people turned up.

The block grant program is the first major federal-state effort that gives the public an opportunity to comment on plans for major grants-in-aid policies. This alone makes it a critical element of the New Federalism structure. The states' hearings constitute the first instance of the public at state and local levels being brought into the policy planning process. A February 1982 survey by the National Governors Association (NGA) found that state public hearings on block grants will be even more widespread in 1983.[18] "If nothing else," concluded the NGA survey, "the data provided by the states clearly and emphatically show that citizens were provided a multiplicity of opportunities to participate in the process....[F]or all the programs (except Title XX and Social Services Block Grant) this is generally the first year in which the public has been involved so heavily in the process of program decisions."[19]

## PROGRESS OF THE BLOCKS: FINANCIAL MANAGEMENT

Once the states resolved the issues of authority and public participation, the immediate problem was how to manage the financing of the block grants. Initially, funding was not technically a part of the state budgets, since the states' fiscal years had already started at the time Congress approved funding. When the blocks were enacted, therefore, the states faced a number of problems.

1. How to accommodate the budget reductions. The Reagan Administration originally requested that the blocks be 75 percent

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[18] The NGA survey also shows that 35 states plan to increase public participation during FY 1983. "1982 Governors' Guide to Block Grant Implementation," National Governor's Association (February 1982), p. 21.

[19] Ibid.

of the FY 1981 funding for the relevant categories. The states were expected to make up the budget gap through reduced overhead and compliance costs. The General Services Administration, however, estimated that administrative costs associated with the categorical grants amounted to only 5 to 15 percent of total outlays. Moreover, the economic recession increased normal demand for services under the grants program--services that, under the federal enabling legislation, required the states to cover certain categories of persons.

2. Whether to transfer funds between blocks. The enabling legislation allowed the states to transfer certain amounts of grant funds from one block to another. Though states can direct a small percentage of unused monies to another grant program in order to compensate for unexpected shortfalls in the blocks, such a grant diversion might reduce the funds available from the federal government in future cycles.

3. How to maximize service delivery with a minimum of administrative costs. This issue is particularly poignant for block grants because of the federally mandated cap on administrative expenses.

Accommodating the reduction of federal funds did not become a major problem. The reason: there was almost no cut in federal outlays to the states. Though all state officials had come to expect a uniform 25 percent reduction in funding for the blocks, the final cut, as set by congressional Continuing Resolutions, amounted to only 10 percent. Even this turned out to be far over the mark. The National Association of State Budget Officers estimates that, as of February 1982, the collective outlays for those programs (at the state level) dropped an average of just 0.5 percent,[20] meaning that the states have not had to cut budgets or raise taxes to accommodate the anticipated reduction in block grant funding--it never took place.

States were concerned with the distribution procedure for the funds. Disbursement is governed by two federal processes, the Intergovernmental Cooperation Act (ICA) and the Continuing Resolution of Congress. The first posed a cash-flow problem for states because it obliges the federal government to give grants to states only on an actual or immediate need basis. In other words, the state governments count block grant funds as part of their state budgets, but the federal government will disburse funds only on an incremental, quarterly basis. This restricts the states' abilities to deposit block grant monies for interest-yielding purposes in banks and other lending institutions--a common cash management practice. The ICA thus effectively reduces the total funds available for services.[21]

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[20] Ibid., p. 37. Individual state changes in federal funding for the blocks ranged from +2.3 percent to -19.8 percent.

The federal government's reliance on a Continuing Resolution to fund programs compounds the cash management restrictions. The Continuing Resolution usually covers program funding for no more than a few months. In the case of block grants, the federal government's use of such stop-gap budgeting prevents the state governments from receiving funds on a predictable and regular manner.

The double restrictions of the ICA and the Continuing Resolution have caused particular problems for blocks subject to unusual demand, such as the Low-Income Energy Block Grant, designed to give aid to needy individuals who cannot pay their high heating bills. The Low-Income Energy Block Grant naturally incurs its greatest outlays during the winter months, but ICA guarantees the release of funds only gradually; financing via the Continuing Resolution, meanwhile, assured that the funds would be less predictable. Officials at the Office of Management and Budget apparently attempt to take into consideration the states' problems and give a high priority to expediting block grant disbursements. While the ICA required the government to make only quarterly payments, OMB officials try to make funds available in line with actual program operations.

Although there were fears that Low-Income Energy funds would be inadequate to meet states' needs, over two dozen states, as of Spring 1982, had transferred funds, capped at 10 percent by federal legislation, mainly to augment funding for the Social Services Block Grant. Five states transferred Low-Income Energy funds into weatherization programs,[22] and 26 states transferred funds into Title XX of the Social Services Program.[23] Therefore, in spite of initial cash-flow problems, the states have found surplus funds to be redirected into other block grants.

In the short run, the interblock transfer of funds has enabled states to reassign priorities within the blocks to the extent allowable under law. The long-run consequences are not as clear, however, because the transfer of funds out of a block may signal to future federal administrators that the state was awarded too much money for that block.

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[21] The technical procedure by which states receive their funds is explained in "The Block Grant Award and Cash Disbursement Procedures," a fact sheet (Office of Management and Budget, October 2, 1981). Additional details are given in a question-and-answer paper, untitled (Office of Management and Budget, September 29, 1981).

[22] Colorado, Kansas, Maine, North Dakota, Oklahoma.

[23] Alabama, Arkansas, California, Florida, Georgia, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Missouri, Montana, Nebraska, New Jersey, New York, North Dakota, Oregon, South Dakota, Utah, Vermont, Virginia, Washington State, West Virginia, Wisconsin, and Wyoming.

## PROGRESS OF THE BLOCKS: SERVICE DELIVERY

It is becoming evident that service delivery under the blocks is better than it was under the previous categorical programs. The states' successes can be examined in terms of: (a) the nature of new recipients previously excluded from the categorical grants and the scope of new services available; (b) the level of administrative activity and the proportion of block grant monies consumed by administration.

### Scope of Block Grants

In all the blocks, there has been an increase in new, previously uncovered recipients--a change directly attributable to the reassignment of priorities within the blocks. In Montana, for example, one portion of the Maternal Child Health Block Grant was merged with the Handicapped Children's program. Montana's consolidation increased the projected participation in the program by about 11 percent. Similarly, Louisiana is regrouping all state community service programs into the same State Department of Labor division that will handle the Community Services Block Grant. New York State officials are merging the Social Services Block Grant and Alcohol and Drug Abuse and Mental Health Block Grant into an existing "Consolidated Services Planning Process." Thirty state governors have established a lead agency responsible for coordinating the blocks with state programs. Thirty-two state governors have created task forces whose mandates include the identification of existing federal or state rules that prevent augmentation of the blocks.

This consolidation by the states runs counter to the predictions of critics who believed that states would use block grants to cut aid to needy individuals. In fact, the consolidation has improved service to the needy since the programs are now designed to give priority to categorically needy persons.

The majority of states have drafted comprehensive lists of "risk factors" to serve as a precondition for distribution of block grant benefits. In the case of the Preventive Health Block Grant, states are giving priority to areas with either high rates of communicable diseases or areas with high propensity for health related problems (e.g., high crime areas where rape prevention programs may be useful). Similarly, some states are using the Community Services Block Grant to contract with private providers willing to address the needs of unserved populations. Under the Community Services Grant, there is a trend for new services to be provided for previously unserved groups via competitive bidding for contracts. Delaware and Arkansas have been especially active in the competitive bidding/contracting-out process.

Are the consolidations and redesigning by states adversely affecting previous recipients? Until the states complete their audits of the blocks, no definitive answer is possible. Thus far, however, the states seem to be taking steps to offset serious shortfalls in projected aid. In the case of the Maternal and Child Health Services Grant, the use of supplemental appropriations by the states is especially noticeable. Forty-five states are offering the basic matching fund required by federal law ($3 in state funds for every $4 in federal funds);[24] 19 states are matching federal funds in excess of the match prescribed by federal law;[25] and 19 states are requiring some sub-unit of state government to provide an additional match of federal monies.[26]

As of June 1982, approximately two-thirds of the states had not made changes in eligibility requirements for either individuals or grantees. The remainder of the states are considering changes in eligibility, but those changes, if enacted by the state general assemblies, will only affect recipients of the FY 1983 block grants. This preservation of eligibility requirements means that the blocks are still servicing the same broad groups of beneficiaries. What has tended to change is the priority under which the recipients are given benefits.

The states also have adequate safeguards to assure compliance with nondiscrimination provisions of the federal block grant laws. As of July 1982, no state had been sued or charged in a similar civil action that alleged discriminatory practices vis-a-vis block grants. Given the high degree of public and intergovernmental interaction on the block grant program, there are adequate checks to detect violations of civil liberties.

### Economies in Administration

One group only has suffered from the institution of block grants: the state bureaucrats who usually audit, survey, monitor, or otherwise certify the progress of categorical grants.

Federal legislation still ensures a full public accounting of the blocks. Each state is required to provide federal agencies with an annual independent audit. Still, the paperwork burden formerly imposed on states through categorical grant regulations is noticeably absent. It is still too early to assess the impact of reduced paperwork on individual states. State budget officers, however, believe that the paperwork costs will be much lower than those under the categoricals--if for no other reason than that the latter required several reports for 57 different programs. In contrast, the new block grants require only one or two smaller reports for just seven individual programs. Accordingly, states expect to spend at least 40 percent less on conducting audits and compliance reports than in FY 1981.

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[24] The five exceptions are: Iowa, Nebraska, New York, Oregon, and West Virginia.

[25] Alaska, Arizona, Arkansas, Georgia, Idaho, Illinois, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Nevada, New Hampshire, North Carolina, Ohio, Rhode Island, Tennessee, and Wyoming.

[26] Alabama, Connecticut, Delaware, Georgia, Illinois, Indiana, Kansas, Minnesota, Montana, Nebraska, New Jersey, North Carolina, North Dakota, Oklahoma, Pennsylvania, Rhode Island, Tennessee, Texas, and Wisconsin.

Preliminary trends suggest that the very modest funding reductions are not straining state financial resources. Interblock transfers (especially for the Social Services block), supplemental funding (beyond the matching fund requirements of some blocks), and the projected reduction in compliance and paperwork costs have all contributed to the solvency of the blocks. In a handful of states, some innovative administrative action has further bolstered the self-sufficiency of selected blocks. Montana's decision to terminate specific projects under the Maternal and Child Health block and Washington State's action to impose limited user fees for nonpriority services are but two instances of cost-saving measures. That the states are making such decisions demonstrates that a fundamental purpose of the block grant system has been achieved: states have responsibility for program operations, to the point that they are now accountable for the grants.

### Increasing Decentralization

The states also have shown that block grants are only a first step down the ladder of decentralization. For some states it has prompted the mini-block grant approach that has helped reduce unneeded overhead while returning responsibility to local officials. In the interim, the states' decentralizing programs are demonstrating a sophistication and sensitivity to local needs that refutes arguments of early critics that the states could not handle the grants fairly and effectively.

The irony is that states are making strides in spite of continued federal restrictions. Those restrictions, which have more to do with congressional action than with Administration policy, will dampen future state innovation. The restrictions are unnecessary, redundant, and inconsistent with the blocks' goal of permitting maximum flexibility for the states. That states established the mini-block systems on their own initiative suggests that they do not need the guidance and supervision inherent in the spending restrictions imposed by Congress. Unless such restrictions are removed, a future Administration or Congress may add further burdens. Only by drastically revising or repealing these restrictions now can decentralization accelerate.

## NECESSARY REFORMS

### Finance

Neither the National Governors' Association report nor the GAO study offers substantive recommendations about how to improve the block grant program enacted in 1981. The recommendations that the two reports do make are limited to technical transition and data collection changes -- hardly the sort of needed reforms that can bolster the long-range security of the blocks. The evidence presented above suggests that at least three financial reforms are needed. First, the federal government should require immediate disbursement of all available block grant monies to the states. The theory that the states should only be allotted funds on an actual and immediate need basis presumes that states will either overspend or misuse the funds. States have the financial maturity to handle large public funds deposits. Transmitting available funds to states immediately would reduce the reliance of the states on federal authorities for permission regarding the disposition of funds. State governments deserve a free hand in the management of public funds, if only because they are the entities responsible and accountable for block grant operations.

Second, the cash management of public funds should be reformed. Currently, states are allowed to use grant awards only for actual grant outlays, meaning that they cannot deposit block grant funds in banking institutions for interest-yielding purposes. The problem with this restriction is that unobligated grant funds (however large or small) should be accumulating interest while not being used. If the states are allowed to invest block grant funds on a periodic basis, they have a way to augment their initial grant award. As such, Washington should either authorize cash management of monies by states; or, at a minimum, allow states to receive proceeds from the federal management of undisbursed but obligated block grant monies.

A third financing reform concerns the day care portion of the Social Services Block Grant. Currently, almost two dozen states are implementing some form of Community Work Experience Program (CWEP), also known as "workfare." These CWEP programs require recipients of certain public aid programs to "work off" their benefits by taking positions with public service agencies, which often include day care centers. Since the CWEP approach is a goal of the Administration, and since the CWEP option is currently nonbinding on the states, the Social Services block should be revised to give states an incentive to establish a workfare program that includes day care options. The incentive for the state could be financial: States with a certified CWEP program that includes substantive day care provisions ought to be allowed to transfer funds from the day care portion of Social Services into another grant program. This approach would have the advantage of encouraging the remaining two dozen states to establish full or partial CWEP programs, while at the same time freeing a sizable portion of the largest block grant for use elsewhere.

### Administration

There are several reforms that can be made in the administration of block grants. Each would reduce the costs of the block grant system, introduce competition into the process, and increase flexibility for the states. The reforms also would increase the service delivery potential of the blocks.

Bring block grant activity under the jurisdiction of OMB A-85 mandates, or else require states to contract-out certain functions of the grant awards. The contracting-out process can either be broadly worded to cover all possible activities that are not inherently governmental in nature; or the procedures can be restricted to services that are directly "private" in nature, such as data processing, records keeping, processing of claims, or warehousing.

Allow states the right to seek discretionary regulatory relief from the federal government. This option would allow states to seek a waiver from any federal regulation that is particularly inappropriate or inapplicable to their geographic area. Relief could require that federal waivers be printed in the Federal Register, along with the normal comment period and review cycles.

Allow states to transfer larger portions of funds between block grants. Currently the Community Services block allows only a 5 percent transfer, the Low-Income Energy block 7 percent, and the Alcohol and Drug Abuse and Mental Health block 7 percent. Expanding the scope of transfer capabilities would not necessarily diminish block grant service delivery since the evidence shows sincere efforts by the states to focus block grant benefits on needy and previously unserved populations. Increasing the inter-block transfer ability encourages states to find ways to better manage finances.

Allow states to deliver block grant benefits in the form of vouchers. The voucher approach, already used in the federal Food Stamp and G.I. Education program, would encourage block grant recipients to reduce expenses and would introduce more competition among vendors of services.

Repeal the matching fund requirements. These requirements increase block grant costs by forcing specified levels of state outlays. States can provide useful in-kind services to compensate for reduced matching requirements. Current efforts to consolidate state programs alongside federal programs and provide supplemental matching funds by sub-units of government suggest that states will augment blocks regardless of matching fund requirements.

All the suggested reforms require some statutory change by Congress. As yet, no effort has been made by Administration officials or congressional aides to introduce the reforms required in these recommendations. In fact, no effort has been made to reduce the regulatory burdens usually associated with the grants-in-aid system. If the block grant strategy is to be successful, then much more reform is needed.

## CONCLUSION

In addition to reforms in the present block grants, Congress and the Administration should press forward with a plan to extend the block grant mechanism to the major social programs, as envisioned in the President's original New Federalism proposal. Income maintenance, nutrition, health, housing, and economic development should be examined as candidates for block grants. A blueprint for the consolidation of certain categorical grants in these areas has been outlined in publications by The Heritage Foundation and the American Legislative Exchange Council.[27] Consolidating another $50 billion in categorical programs would not hamper their administration or undermine the eligibility rights of needy individuals. Indeed, as this study has shown, the service programs surely would become more responsive to recipients, less expensive and less bureaucratic.

Far from retreating on the initial goal of transferring the planning and operation of major social programs to the states, the White House should make the consolidation of programs into block grants a top priority of New Federalism. While the desirability of funding these basic services at the state level may still be uncertain, the benefits of administration by the states are very clear.

Prepared at the request of
The Heritage Foundation
by Edgar Vash

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[27] Thomas M. Humbert, "Budget Cuts: The Key to Economic Recovery," Heritage Foundation Backgrounder #151, September 18, 1981; White Paper on New Federalism: The ALEC Alternative (Washington, D.C.: The American Legislative Exchange Council, 1982).

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## IMPACT OF THE FY 1982 BLOCK GRANTS

January 14, 1983

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## ALABAMA

### 1. The Political Process

In 1981, the Alabama legislature enacted SJR 19 which created a special interim committee of the legislature to study block grants and SJR 215 which expanded an existing joint legislative committee to include a study of the effect of federal block grants on health and welfare programs.

In 1982, the legislature enacted a bill (Act 82-494) which requires a pass through of 95% of CS block grant funds to existing CAP agencies or local governments, mandates the composition of governing boards and specifies program elements. The legislature considered, but did not pass, a bill supported by the governor which would have put the administration of block grant programs into a single state agency.

Counties were not generally involved in the block grant process.

In August 1981, the governor issued Executive Order No. 42 which set up an Inter-Agency Council on Block Grants. This council was composed of the governor and the heads of ten (10) different offices and departments of state government. This group in turn broke down into task forces which examined a number of issues and made reports back to the council. Members of the Joint Legislative Committee also participated in this process.

ALABAMA

At the recommendation of this council 10% of the LIEA funds were transferred to SS. The legislature also cut back on its commitment to SS by cutting funds from $11 million to $6 million over a two-year period. Taxes were not raised nor were state funds reallocated to make up for the decrease in federal funds.

2. Public Participation

The legislature, in conjunction with the Inter-Agency Council held four (4) public hearings in different urban areas around the state on a consolidated basis for all the block grants except PH (which Alabama did not take) and CD. The lead agency began the hearings by making a presentation on what it had done to implement the FY 1982 block grants. The public was then allowed to comment and to make suggestions for FY 1983. The public received, at best, ten (10) days advanced notice about the hearings. A hearing book which contained short summaries of each block grant was given out, but it contained no budgets or options. The hearings, then, gave providers and organized clients an opportunity to ventilate their grievances but not much more.

For CD, two groups were established: a Technical Advisory Committee was made up of a geographically diverse group of people and a Policy Committee was composed of representatives of city and county government, regional planning and development agencies, legislative and agency representatives and HUD. Public hearings were held in small communities around the state.

No new procedures have been established for handling block grant complaints from providers or consumers,* nor have civil rights complaint procedures been addressed.

Alabama has an active coalition -- the Alabama Congress for Human Services which was formed in June 1981. It is composed of an impressive group of 75 organizations including providers, advocates and clients. It has a clear organizational and decision-making structure and a well-thought out set of by-laws. It has concerned itself with public participation, fair allocation of resources, organizing countywide groups and block grants. It will work for passage of a citizen participation requirement (modeled on the Kentucky statute) in the next legislative session. Legal services is involved in this effort.

### 3. Block Grant Implementation

In SS, Alabama cut non-mandated programs such as child and adult day care and left mandated programs (e.g., foster care) untouched. Over 2,000 children lost day care services. Moreover, the legislature approved a bill exempting church-sponsored child care centers from state licensing and a licensing exemption for day care homes is pending. Obviously, this will affect the quality of service provided. In addition, a state hiring freeze has led to a shortage of personnel (i.e., caseworkers) which is affecting service delivery.

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*Except LIEA which does have a consumer complaint procedure.

In MCH, six counties have closed maternity clinics and those that are still open no longer provide all services (i.e., no pre-natal vitamins). Funds for the Improved Pregnancy Outcome and Improved Child Health projects were cut and these programs may be eliminated in FY 1983. Coverage of delivery services for pregnant women has been eliminated. A fee system was instituted in 1982 and there may be both fees and eligibility restrictions in FY 1983.

CS and CD both suffered funding cuts but LIEA was substantially the same.

### 4. Related Programs

Alabama raised its AFDC standard of need last year, but benefit levels remained the same. There is no GA program.

Medicaid was not changed but a large number of people were eliminated from the program when the federal AFDC changes removed them from categorical eligibility.

## ALASKA*

Alaska's natural resources have put her in a good budget position -- every resident of the state gets an annual $1,000 from oil revenues. A constitutional amendment limits government spending, however, so the state's fiscal surplus is not readily used for social welfare programs. The Alaska legislature has the power to approve/disapprove the expenditure of state funds. When the legislature is not in session, a special committee plays an advisory role re the receipt and expenditure of federal funds.

The state did switch $70,000 from LIEA to MCH.

Alaska raised its AFDC benefit levels in July 1981. Benefits have been increasing steadily since 1975 and are the highest in the country. There is an AFDC workfare program which is optional at county discretion.

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*No person able to answer the questionnaire was available in Alaska. Alaska also did not participate in the APWA, GAO or Urban Institute projects, so little information is available from secondary sources.

## ARIZONA

### 1. The Political Process

Prior to 1981, Arizona had no legislation relating to block grants. An attempt was made last year to require legislative approval of the expenditure of federal funds, but this bill was not enacted. To date, then, the Arizona legislature has had very limited involvement in the block grant process.

Counties per se have not been active on block grants, but COGs have been involved in the SS block grants.

Arizona is suffering from a serious unemployment problem and this is affecting the economy. As a result, the state decreased the amount of money going into programs now in the block grant: only ADMH continued to receive state funds beyond what was required. Funds were not switched among the block grants.

The governor did establish a Coalition Council on Block Grants. It was composed of the governor's councils on aging, children, youth and families, and developmental disabilities. He also established an Education Block Grant Advisory Committee composed of local government officials, state officials, attorneys, educators, providers, United Way and church representatives.

## ARIZONA

### 2. Public Participation

In July 1981, the governor's Coalition Council held a day-long workshop in Phoenix. One-hundred-seventy people attended and made recommendations about the block grant planning process. Their recommendations were not implemented.

State agencies held hearings on SS and ADMH. Service providers did have an impact on ADMH and local governments affected the decision-making process on SS. These hearings were advertised through newspaper notice and no information was provided prior to the hearing. They were held in different locations around the state, but attendance was poor.

There was an agency advisory council established for behavioral health (ADMH). It was composed of providers and advocates and did have an impact on how the funds were allocated. It has recently been disbanded. In SS, there is no formal advisory committee structure but local governments do influence the process.

There is no active block grant coalition in Arizona but there is a Fair Budget Action Coalition which is somewhat active on block grant issues.

There has always been a system for handling complaints from providers and recipients. While a formal recipient complaint procedure is spelled out by regulation, informal procedures are usually followed. There are civil rights procedures as well.

ARIZONA

## 3. Block Grant Implementation

There were service cuts across-the-board due to federal cuts. These were not pro rata in ADMH or SS.

Eligibility has not yet been restricted but providers have been told to target the neediest. No change in fee schedules were made. Waiting lists have been established in ADMH.

No noticeable changes in the quality of services have occurred yet.

A special word needs to be said, however, about the impact of block grants on Arizona's Native American population. Tribes are allowed to administer the CS and LIEA programs: they can receive funds based on the ratio of low-income Native Americans to all low-income people in the state. If they previously received categorical funding for sponsored programs, tribes are also eligible to administer PH, ADMH and PC: these funds are based on the ratio of the previous categorical funding to all the categorical funding statewide. The population formula for CS and LIEA resulted in small tribes receiving too little money to run a program. Arizona was willing to continue to fund the tribes at the same level as in previous years in LIEA, but HHS rejected the agreement worked out between the tribes and the state. A similar problem exists in CS where small grants (e.g., $100) make it impossible to run a program. As a result, there was a severe cut in LIEA and CS on reservations.

4. Related Programs

No changes were made in AFDC or GA last year. Arizona does not participate in Medicaid.

## ARKANSAS

### 1. The Political Process

The Arkansas legislature did not meet in 1982. It is next scheduled to meet in January 1983. Thus the formal legislative role in block grant implementation was minimal.

The governor also played a limited role, and failed to establish any advisory committees. Thus the agencies within the Arkansas Department of Human Resources played the major role in block grant implementation.

The Interim Legislative Committee which controls the allocation of funds when the legislature is not in session approved the transfer of funds from AFDC to Medicaid and from LIEA and CS to SS.

### 2. Public Participation

There were no legislative block grant hearings for FY 1982. Legislative hearings for FY 1983 were held in September 1982.

There were no agency hearings for FY 1982. For FY 1983, five hearings were held in August 1982. These were held in different parts of the state. Each hearing was subdivided into four simultaneous sections -- one covering health, one on CS, one on SS and one on LIEA. The only notice given was through a newspaper article which appeared six days before the hearing was scheduled. Consequently, there was little public participation.

Finally, the Arkansas State Advisory Committee to the U.S. Civil Rights Commission held a hearing in March 1982 in the Sheraton Inn in Little Rock. A variety of advocates, state legislators and bureaucrats testified, as did the governor.

Arkansas has a block grant coalition composed of providers, the Urban League, ACORN and legal services. There is also an active Human Services Providers Association. They have been most concerned about improving public participation and civil rights enforcement.

### 3. Block Grant Implementation

Information about block grant implementation is sparse. What is known is that the transfer of funds from LIEA and CS to SS ameliorated some of the impact of the budget cuts. This money appears to have been used to maintain services to the elderly while day care and family counseling services were reduced. Three rehabilitation centers were closed as a result of ADMH fund reductions. In addition, there were cuts in CS due to both a cut in funds and a change in the allocation formula.

## ARKANSAS

The LIEA program appeared to function well last year.

### 4. Related Programs

Arkansas raised its benefit levels to 60% of the state's standard of need last year. It established a workfare program in October 1982 with a particularly egregious CWEP component.

In Medicaid, a 50% copayment on prescription drugs was imposed.

## CALIFORNIA

### 1. The Political Process

The California legislature was deeply involved in block grant implementation. In October 1981, it passed legislation (AB-2185) which rejected state takeover of all block grants except SS and LIEA. This same legislation a) created a transition period (FY 1982) in which all programs had to be maintained and fiscal reductions had to be made on a proportionate basis; b) required a one-year transition period before any block grants could be accepted; c) established a Block Grant Advisory Task Force. The Task Force had 15 members including citizens, providers, three appointees each of the governor, the Assembly Speaker and the Senate Rules Committee, plus the Chair of the Senate Finance Committee, the Chair of the Assembly Ways and Means Committee and the Director of the state's Finance Department. In addition, at the behest of a strong social services lobby, the legislature approved reallocation of $8.5 million from LIEA to SS.

In 1982, the legislature considered at least nine block grant-related bills, three of which were enacted.* Of the three bills which were passed, two related to the Task Force. One expanded the Task Force membership and the other expanded Task Force jurisdiction and added funds to staff the Task Force. The Task Force is now to look at the entire range of public policy issues on block grants and make recommendations to the legislature. This bill also continues the FY 1982 program maintenance with pro rata reduction policy into FY 1983, with minor exceptions. The third bill requires the consultants to the state assembly to look at city-county-state responsibility for certain social programs in light of federal block grants.

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*Among those rejected were a United Way/county-sponsored bill which would have block granted the block grants to counties. There was strong support for this bill and it is likely it will be reintroduced in 1983.

In addition, the legislature adopted AB-2X which made a number of changes in social services requirements: some mandated programs were eliminated and detailed program requirements were deleted.

The legislature did not reallocate any funds or raise taxes to make up for the federal cuts, for FY 1982 or FY 1983. California is not in particularly good fiscal shape at the moment so an increase in state resources is not likely in the future either.

The governor did not appoint a block grant advisory committee. However, each of the responsible state departments has set up an advisory group on their particular program during the last year. In California, there are separate departments which report to the Health and Welfare Agency which in turn reports directly to the governor. The SS advisory group did draft a report which went from the department to the agency to the governor -- and presumably this same pattern would be followed by other departments.

The counties were particularly active in lobbying the legislature to block grant the block grants to them.

## 2. Public Participation

Since California took only SS and LIEA in FY 1982, there were no public hearings on the FY 1982 block grants.* California is now phasing in the block grants and will have accepted all but PC by January 1983.

Since the Task Force has provider and consumer members, it served as a public participation mechanism for development of the block grant implementation plans.** In April 1982, it issued a report which recommended that for FY 1983 all programs be maintained with a pro rata reduction in funds. The Task Force felt that no major changes should be implemented until a major examination of state policy and priorities had been undertaken. The legislature accepted this recommendation and asked the Task Force to undertake the policy analysis. The Task Force is now doing so and has held four public hearings in different cities to discuss block grant implications.

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* California has a July 1-June 30 fiscal year. The federal SS changes were enacted after California's FY 1982 began and so the Title XX plan had already gone through the public hearing process.

**The Task Force dealt with all the programs except ED which had a separate 60-member advisory group to the State Department of Education.

In addition, the various state departments are holding public hearings on block grants.

The California Human Services Coalition has been very active on block grant issues. It is composed of churches, unions, human services providers and legal services. It has worked on the passage of legislation, publicizing Task Force activities and produced two newsletters.

### 3. Block Grant Implementation

As noted above, California retained all programs for FY 1982 with a pro rata across-the-board fund reduction. There were no changes in eligibility or fees, so the major effect was that there were waiting lists for services. This will continue into 1983, at which time some smaller programs may be forced to close because they cannot function properly on the reduced funding.

The federal government will continue to run the PC program and is now forcing many clinics to merge as an economy measure.

CALIFORNIA

4. Related Programs

California law requires an annual cost-of-living adjustment in AFDC and GA benefits. The legislature suspended this law last year so that, while benefits were not lowered per se, they were lower than they would have been had the law been enforced.

The state's major economy move, however, was in the medically-needy portion of its Medicaid program (called "Medical"). The program was turned over to the counties with only 70% of the previous year's funds (AB-799). Each county will set its own eligibility criteria.

California also froze provider reimbursements and the governor appointed a "Medical Czar" to negotiate with providers for a fixed reimbursement rate system.

# COLORADO

## 1. The Political Process

Colorado law requires legislative approval of all appropriations. The Colorado constitution imposes a 7% per year limit on increases in funds for programs financed by general revenue. Thus, Colorado was limited by law in the amount of state money it could use to make up for the federal cuts.

When the legislature is not in session, the Joint Budget Committee is empowered to act. This committee approved reallocation of funds within the state agencies and appropriated $7 million in new state monies to make up for a total federal cut back of $150 million. Money was not switched from one block grant to another, although this may be done in FY 1983. The committee will be involved in determining which agencies administer the block grant, establishing allocation formulas, holding public hearings, performing legislative oversight and auditing.

Counties did not play a major role in block grants in the past year.

The governor established a block grant advisory group composed of agency heads and members of his staff. They drew up the original allocation plan.

## COLORADO

### 2. Public Participation

The legislature did not hold public hearings on FY 1982 block grants. The Joint Budget Committee held one sparsely attended consolidated hearing on the FY 1983 block grants. There was no publicity about this hearing and it was held in a small community away from the state capitol.

The governor sponsored consolidated block grant hearings in three different locations on the FY 1983 block grants. They were publicized in the newspaper: no copies of plans or other relevant documents were available in advance of the hearings. Local government officials, state officials and private citizens were the most influential at these hearings.

In addition, the House Democratic Caucus held hearings on block grants in six different areas of the state. The Colorado chapter of NASW was actively involved in these hearings, helping to organize and publicize them. Service providers were active at these hearings, but they had little real effect on the state's allocation of block grant funds.

Colorado has an active block grant coalition -- Project Block Grant -- with over 40 organizational members. Church groups, providers, grassroots organizations and the like are active with the Colorado NASW serving as the focal point. This group pushed for the formation of advisory groups for each of the block grants. Such a group was formed for MCH and is composed of physicians, nurses, a judge and public representatives. They have already had an impact on the priorities for MCH expenditures. In SS, the existing Social Services/Public Welfare Task Force has recently set up a block grant subcommittee of citizens and advocacy organizations. Since Project Block Grant members now act on these advisory boards, they should have an even greater impact in the future. Moreover, the group has been asked to make a presentation to the legislature's committee on New Federalism this fall. In addition, NASW has established a Human Services Political Action Committee to organize efforts to elect progressive candidates to state government offices.

### 3. Block Grant Implementation

Colorado lost about $6 million in SS, $2.7 million in CS, $4.2 million in PC services, $700,000 in PH, $800,000 in MCH and stayed about even in ADMH and LIEA from FY 1981 to FY 1982. However, allowing for inflation, there were cuts in all the programs. In SS, 2,222 children were cut from day care, preventive child abuse service has been ended and voluntary foster care placement for children over 12 ended. In MCH, non-hospital acute care was cut for 26,000 regular clients plus 800 migrants; 600 handicapped children no longer receive services; 214 fewer clients are served in family planning;

services to 2000 children from the community nursing program were eliminated; 5,700 fewer clients will be served in disease control/epidemiology. There was a 10% cutback in ADMH and a 27% cutback in LIEA.

Eligibility was restricted for SS but there was no change in fees in FY 1982. A fee increase is possible in FY 1983.

No noticeable change in the quality of services rendered has yet occurred.

### 4. Related Programs

Almost 3,900 households were eliminated from AFDC or lost benefits due to OBRA changes. Colorado did raise its standard of need to protect some of the working poor.

Colorado eliminated the requirement that counties operate a GA program in 1981. Most counties have reduced benefits but not ended the program.

Medicaid was not overtly changed, although provider cost containment measures were adopted and over 6,500 hosueholds were affected by the OBRA changes.

# CONNECTICUT

## 1. The Political Process

In May 1981, the Connecticut legislature passed PA 81-449 which required legislative approval of 1) the expenditure of block grant funds; 2) modification in funding of programs necessitated by reduction in federal funds; and 3) the substitution of state funds for lost federal funds. This legislation was amended at a special session of the legislature in December 1981 and again at the regular session in April 1982. On block grants, the law now requires the governor to submit a proposed allocation plan to both the committees on appropriation and the committees of cognizance (subject area). Those committees have 30 days in which to modify the allocation plans. If they fail to act, the governor's allocation will be deemed accepted. Thus, through the relevant committees, the legislature will be involved in establishing allocation formulas, targeting services, and oversight.

In FY 1982, the legislature did not raise taxes to make up for the federal cuts. They did maintain state funding in the areas covered by block grants and continued state match in SS. Funds were transferred from PH to MCH.

The governor established an Interagency Task Force on Block Grants composed of the heads of relevant agencies. Their meetings were open to the public.

## CONNECTICUT

### 2. Public Participation

The governor held some consolidated public hearings on block grants in the fall of 1981, and block grants were covered in the November 1981 public hearings on the state's Annual Human Services Agenda.

For FY 1983, the governor held hearings on the health block grants in June and July 1982. The governor's allocation plan was then developed and sent to the legislature which in turn held public hearings. In SS and CS, the governor's hearings were held in early August 1982, a plan developed and sent to the legislature which will hold hearings shortly. A similar process will occur for LIEA with the governor's hearings scheduled for the end of July.

The governor's FY 1983 hearings have been held in three different locations around the state under the auspices of one of three governor's task forces for each respective area. Local government officials and service providers have been the most influential at these hearings, with some organized client groups -- particularly on mental health -- also being persuasive.

The governor's hearings were publicized through press releases which received good coverage everywhere but in Hartford, the state capitol. State agencies did send draft allocation plans to interested persons, grantees and organized client groups. The legislative hearings were held only in Hartford and are publicized through the legislature's Weekly Calendar of Events. More publicity is needed to make these hearings effective.

For FY 1984, Connecticut is exploring the use of a negotiated investment strategy in SS. Under this concept three teams -- one each representing the state, municipalities and private non-profit providers -- would negotiate with a mediation team in order to develop a mutually-acceptable allocation of resources.

Connecticut has an active Human Services Coalition composed of church groups, unions, providers, mental health association, LWV, NASW and similar organizations. It has been active on budget and public benefits programs as well as block grants.

There appear to be no formal procedures for resolving block grant complaints from providers or recipients. No new civil rights procedures have been adopted.

### 3. Block Grant Implementation

As did many states, Connecticut rolled over FY 1981 funds into 1982 to ameliorate the federal cuts. In SS, this coupled with a transfer of $3 million from AFDC, softened the program cuts.

In general, when cuts were made they were pro rata across-the-board. In ADMH, priorities were shifted to give priority to the deinstitutionalized and to prevent institutionalization. In MCH, there was an increased emphasis on the handicapped accompanied by the imposition of a sliding-fee scale. In LIEA, the legislative committee expanded eligibility to include renters whose utility costs are included in the rent.

4. Related Programs

Connecticut raised its AFDC benefit by 3% and imposed co-payment for transportation costs in Medicaid.

In January 1981, it expanded its GA workfare requirements.

# DELAWARE*

## 1. The Political Process

In Delaware, a joint legislative-executive committee has approval/disapproval power over the receipt of federal funds. This committee reviews all grant applications, including those for block grants. The state accepted all of the block grants for which it was eligible in FY 1982, and absorbed the federal cuts. It neither added state revenue to make up for these cuts nor transferred funds between blocks.

The governor appointed advisory committees for both CD and ED. The Director of the state's Office of Economic Opportunity appointed an advisory committee for CS and one for LIEA. The Director of the Division of Mental Health appointed an ADMH advisory committee; the Director of the Division of Public Health appointed advisory committees on MCH and PH; and the Director of Planning, Research and Evaluation appointed an SS advisory committee.

## 2. Public Participation

The state's SS plan had already been developed and implemented -- and gone through the public hearing process -- when the federal changes were implemented. Delaware decided to stick with this plan for FY 1982, and so additional public comment was not perceived to be critical. However, the state Department of Health and Social Services did hold a public hearing in September 1981 to get public input on SS, MCH, ADMH and PH -- the blocks for which it had responsibility.

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*No contact person was located for this state. Information based on secondary sources.

For FY 1983, each agency held a public hearing on the individual block grant for which it was responsible in August or September.

### 3. Block Grant Implementation

In SS, Delaware suffered a $1,644,000 reduction in funds. To offset this cut, funds for training were cut by $146,000 and programs were cut pro rata across-the-board. Delaware has a July 1-June 30 fiscal year. It decided to extend all of its FY 1982 contracts into the first quarter of the state's FY 1983 in order to align its state block grant plan with the federal fiscal year.

In ADMH, funds were cut by almost $374,000; in MCH, almost $30,000 was lost; and in PH, the cut was $33,000. A $409,000 cut in CS was sustained. There was an increase of about $400,000 in LIEA funds, however.

### 4. Related Programs

Delaware last raised its AFDC benefits in 1979. It applied for, and received approval of a WIN DEMO workfare program last year. It also has a GA workfare program.

# DISTRICT OF COLUMBIA

## 1. The Political Process

DC functions like a state in which the City Council is the equivalent of a unicameral state legislature and the mayor is the equivalent of a governor. However, all DC laws, and its budget, must be submitted to the Congress for approval.

The quirks of the DC budget process create a very disjointed program planning/legislative review system. Under the Funds Control Act, the mayor is required to submit grant applications and state plans to the City Council for approval. Because Congress must also approve the budget, the mayor's plans are submitted to the Council 15 months before they become effective.* In 1982, this created real problems because the mayor did not file new plans to implement the OBRA changes, so the Council initially withheld approval of the funds. Eventually, plans were submitted.

In general, the Council will hold public hearings, review budgets (though it has yet to make any recommendations for targeting or changes in formulas) and be minimally involved in oversight. A proposed Social Services Block Grant Act would increase the City Council's role in setting regulations for Title XX block grant administration.

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*The timing of this process is currently being reconsidered.

DISTRICT OF COLUMBIA

The Act would require a public hearing on the plan prior to the Council's budget mark-up; a comment period on the final plan, with mandatory agency response at least 45 days prior to the start of the fiscal year; and notice and fair hearing provisions to protect applicants for services. The SS Block Grant Act, if passed in September 1982, may be extended to other block grants. CDBG legislation may also be introduced to place a 10% cap on administrative expenses and to target 90% of funds to low- and moderate-income populations.

The City Council minimized the effect of federal cuts in FY 1982 by reallocating city funds to programs funded through block grants. In the FY 1983 budget, however, the only reallocation is for homemaker chore services within SS.

The mayor appointed individual block grant advisory committees as well as a "big MAC" for all the block grants. The members were predominantly established provider representatives and professional "experts," though some community advocates were appointed. The advisory committees only rubber-stamped the city staff recommendations. For example, the social services block grant advisory committee contained a large number of day care advocates, but only one elderly advocate. The committee was asked to target populations (the outcome seemed predetermined, considering the composition of the committee) but was not involved in budgeting or in restructuring services.

## DISTRICT OF COLUMBIA

### 2. Public Participation

Legislative hearings were held on individual block grants for FY 1982 but consolidated hearings were held (for all but CDBG and Education) for FY 1983. At the hearings on the proposed SS block grant plan and Act, city officials were most influential, followed by legal services, client groups, current service providers and professional organizations.

The Department of Human Services requested comments on the FY 1982 plans for the SS and health block grants. However, little information was available to enable meaningful comments. The comments were reviewed by an advisory committee but appeared to have little effect, despite commentators' complaints to the City Council. This year, publicity was inadequate and little information was available, but the Social Services Block Grant Act, if passed, would remedy some of the problems.

Two coalitions work on block grant issues. The Community Coalition on Financial Accountability -- advocates for human services and housing. The SS Block Grant Act has been a priority. The Washington Council on Agencies (WCA) is a non-profit providers' group which is currently concerned with retaining non-profit contracts with the city rather than having them transferred to public providers. WCA is advocating multi-year funding; standards for monitoring, auditing and accountability;

targeting of services to the Hispanic and refugee populations; and service quality and efficiency. Both coalitions have been influential, particularly in redirecting categorical funds from national organizations (such as the National Conference of Mayors) to community services.

### 3. Block Grant Implementation

It is difficult to identify where block grant budget cuts end and city cuts begin. In general, there were across-the-board reductions in all services and closings of some health facilities in 1982. In social services, local funds made up for block grant cuts in 1982 but reductions and waiting lists are slated for 1983. All services except day care are being targeted for cuts. This will disproportionately affect the elderly. According to WCA, contract non-profit service providers are also being unfairly cut.

Service quality has noticeably declined; delays are prevalent. The city exhausted funds for chore services six months before the end of the fiscal year, necessitating a reduction in services offered and nonacceptance of applications by phone. Problems in the city's processing of applications are expected to continue.

An informal provider complaint system has always existed. For service applicants, the SS Block Grant Act would establish the right to a fair hearing for all denials, reductions, terminations, and service delays. In addition, DC has a strong Hearing Rights Act handling civil rights complaints.

## 4. Related Programs

DC's AFDC standard of need and benefit levels have been raised. The Community Coalition has also successfully advocated for increased GA benefits. Under Medicaid, DC has changed reimbursement rates to discourage emergency room use and has stepped-up collection from hospitals. Further Medicaid changes are pending.

## FLORIDA

### 1. The Political Process

The Florida legislature has traditionally been involved in the oversight of federal funds. In 1981, they did exercise review and comment power over block grants, and established a Senate Select Committee on Federal Budget Cutbacks. This Select Committee developed both a general policy statement and a set of detailed guidelines to be used in developing the FY 1983 budget for Florida. These guidelines were used by the state senate in developing its appropriations bill.

In 1982, as part of the appropriations bill, the legislature attempted to limit the governor's power to accept new federal programs without legislative approval. This proviso was the subject of litigation between the governor and the legislature. The litigation was settled with the legislature agreeing to withdraw the proviso.

The legislature also enacted specific legislation so that Florida could accept the CS block grant in FY 1983 (Chapter 82-228, Laws of Florida). Among other things, this law establishes a Block Grant Advisory Committee on CS, requires a 20% local match from the applicant, sets up application and award procedures and pays particular attention to the needs of migrant and seasonal farmworker organizations.

## FLORIDA

Florida reallocated a good deal of money last year to make up for the loss of federal funds. It also raised its sales tax to provide new revenues. Most importantly, Florida had a Working Capitol Trust Fund which was actually a "rainy day" fund of unspent taxes which it used to cushion the effect of the federal budget cuts. Funds ($2.4 million) were transferred from LIEA to SS in FY 1982, and this will be done again in FY 1983. In addition, it appears that funds from SS will go into ADMH in FY 1983, although the state says this is an administrative change rather than a change in the services provided.

Counties were not greatly involved in the block grant process this year although in FY 1983, the ED block grants will go to school districts which in Florida are organized by county.

The governor did establish an Education Block Grant Advisory Committee. It was composed of a variety of state officials, legislators, local school administrators, teachers, parents, state university and community college representatives as well as representatives of the Urban League, Catholic Conference, private schools and Disneyworld. Their recommendation about funds distribution conflicted with the State Education Committee's recommendation, and the State Committee's view prevailed.

Pursuant to the legislation discussed above, a CS Advisory Committee has also been established.

## FLORIDA

### 2. Public Participation

The Select Committee held five public hearings in Tallahassee in the summer and fall of 1981, around the impact of federal budget cuts on state and local governments and private non-profit organizations. They heard testimony from a range of state officials, local officials and providers on block grant-related concerns.

In 1982, the legislative appropriations committees considered block grant issues in the budget hearings. In addition, the Florida Department of Health and Rehabilitation Services (HRS) which oversees the five block grants Florida accepted, held 11 agency hearings (one in each HRS district) on its FY 1983 budget. During these hearings, block grant issues were considered. The hearings were not well publicized, however, and information was available only on the day of the hearing. Consequently, general public participation was low: providers dominated the testimony. A report is due in September 1982, summarizing the comments made at these hearings.

The agencies have promised to improve the notice and information processes next year. In addition, the governor's office has put together a manual on block grants with suggestions on how to improve the public participation process.

No new methods were established for handling block grant complaints from providers. The state APA sets out a complaint procedure for recipients. Civil rights complaints will be handled by the State Human Rights Commission.

## 3. Block Grant Implementation

In 1982, the block grants had little effect in Florida. Florida accepted five of them -- SS, ADMH, MCH, LIEA and PH. According to the Department administering the grants, a combination of reallocation and use of the "rainy day" fund prevented service cuts.* Fees were imposed and waiting lists established only for services to pregnant women funded by the MCH block. Fees are being studied at the moment and could become a reality in other programs in FY 1983. In addition, 1983 will bring service cuts as the "rainy day" fund will not be available to cushion the federal funding cuts.

## 4. Related Programs

Florida raised its AFDC payment level by 7% last year and will raise it again by 7% in February 1983. Its standard of need went from $246 to $468 (family of four) in October 1982. There is no statewide GA program, but some counties do run their own GA program. Medicaid was not changed in FY 1982, but changes may occur (e.g., fees) in 1983.

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*(The Department has not provided data to substantiate this assertion.)

## GEORGIA

### 1. The Political Process

Prior to FY 1981, Georgia did not have any legislation relating to block grants. However, in FY 1982, such legislation was enacted for CS. Under this legislation, the Board of Human Resources (DHR) develops plans for the expenditure of block grant money. (This was done with a formal advisory group of CAPS and county commissioners as well as staff from DHR and the governor's office.) Local subdivisions of government can accept or reject these plans. If they accept, the services provided "should meet those minimum requirements of the Department of Human Resources (DHR) based upon a sound cost and program efficiency and effective evaluation." (SB 622) Moreover, DHR is to continue using existing delivery systems "if deemed appropriate" and must comply with federal legislation.

In general, for FY 1983, the governor and the legislative leadership worked together developing plans for all of the block grants except CS, CD and PH. (Georgia did not take the CD/small cities block grant in FY 1982.) The legislature dealt with CS and PH and, through the appropriations process, effectively granted the CS program to the counties and CAP agencies who will be monitored by DHR.

## GEORGIE

County government is strong in Georgia and the counties were particularly active in the CS program and in the planning for Georgia's takeover of the CD block grant in FY 1983.

The Georgia legislature did not raise taxes or reallocate resources from other programs to make up for the loss of federal funds to any significant degree, nor is it likely to do so in FY 1983. They did put a small amount of state money into family planning and the MCH program, and they did continue to provide "state matching funds" in those programs where they were no longer required to do so. Georgia also transferred $1.9 million from LIEA to the MCH and SS block grants.

## 2. Public Participation

For FY 1982, the legislature held one poorly-attended public hearing on the ADMH and PH block grants. It was held in Atlanta on a Friday afternoon in February, with very little prior publicity. A legal notice was published in two newspapers two weeks prior to the hearing but, in general, people learned about it by word of mouth. Only one legislator attended the hearing; the reports to be presented were not generally available to the public prior to the hearings. They were virtually meaningless.

## GEORGIA

State agencies, however, had a better record. Separate regional hearings were held around the state on LIEA, and extensive public hearings were held on the state's plan to take over CD in FY 1983. DHR also held hearings on the six block grants it is responsible for in May 1981, and again in May 1982. The May 1982 hearings are particularly noteworthy.

DHR sent letters to client groups, providers and social service agencies telling them about these hearings. It also advertised in the newspaper and did a few radio and TV spots. Packets of information were made available ten days in advance of the hearing. One-hundred-eighty-nine (189) people came to testify! The state drew up a summary of the testimony for public distribution and made it part of their presentation to the Board of Human Resources which makes the funding allocation decisions. Thus, it appears that the state agency actively encouraged public participation and that this participation was taken into account in the planning process. It is hoped that next year this same process will be followed, but that hearings will be held around the state, not just in Atlanta.

To date, no hearings have been held on the education block grant.

During the past year, many organizations were active on block grant issues. These organizations had some impact on funding decisions particularly in the DHR programs.

GEORGIA

Recently, a coalition has been formed of religious groups, unions, providers, clients, CAPS, League of Women Voters, the NAACP and similar types of organizations. This coalition is concerned about a range of human services issues including AFDC, workfare and housing. They have received a small grant from the Field Foundation through the Coalition for Block Grants and Human Needs.

The only procedure for complaints by either providers or recipients of service is an informal DHR review. No new civil rights procedure has been established.

## 3. Block Grant Implementation

Service cuts were felt in SS, PH, MCH and LIEA. These cuts were not pro rata: programs for children were the hardest hit and this affected the minority community disproportionately. The elderly were not hurt and the disabled actually got an increase in resources aimed at them.

Eligibility was restricted in the SS block grant. Fees were imposed on low-income people for the first time in FY 1983 in the SS, ADMH, PHC and MCH programs.

There are now waiting lists in SS, ADMH and LIEA.

The quality of service -- particularly in developmental programs for children -- has declined as a huge increase in staff-child ratios was implemented (1:18). There are also fewer state staff monitoring the programs so a decline in the quality of service is likely to accelerate in FY 1983.

## GEORGIA

### 4. Related Programs

Georgia almost doubled its AFDC standard of need and raised benefits by 10% last year. An additional 9.4% benefit increase has been requested for FY 1984.

Georgia does not have an AFDC-U or GA program.

In Medicaid, a co-payment for drugs was instituted as well as a limitation on hospital stays and a reduction in nursing home reimbursement.

## HAWAII*

### 1. The Political Process

The Hawaii legislature does have the power to appropriate federal funds. Hawaii is in relatively good financial shape and the legislature decided to use its FY 1981 surplus to give each taxpayer a $100 credit in FY 1982. While it debated giving larger credits to the low and moderate-income and using state surplus funds to make up for federal budget cuts, in the end, it did not do so. No funds were transferred between the block grants.

### 2. Public Participation

No information available.

### 3. Block Grant Implementation

No information available.

### 4. Related Programs

Hawaii implemented mandatory workfare in AFDC and GA. The AFDC benefit levels have increased only 9.4% since 1975.

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*No contact person was available in this state. All information is from secondary sources.

## IDAHO*

### 1. The Political Process

The Idaho legislature must appropriate all funds expended in the state. During the last few years, the Republican legislature and the Democratic governor have been battling over how much money is actually available to expend. In 1981, the legislature enacted a budget which was $30 million less than what the governor asked for. Besides cutting funds for monitoring air quality and protection of stream channels, the legislature chose not to apply for matching funds for home health care for the elderly and rejected a proposal for regional administration of health and welfare. Nonetheless, the budget wasn't balanced and 4,700 of the state's 13,000 employees went on a four-day work week for seven weeks in order to erase a $12 million deficit.

The deficit was largely the result of record unemployment in the mining and timber industries.

The legislature did not appropriate additional funds to make up for the federal cuts in FY 1982 but it did approve transfer of 7% ($662,000) of the LIEA funds to MCH. For FY 1983, it has appropriated $300,000 to SS to partially alleviate the $800,000 in federal cuts in that program.

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*No contact person was located in Idaho who was willing to fill out the survey. All information herein is from secondary sources.

## IDAHO

### 2. Public Participation

No information available.

### 3. Block Grant Implementation

To absorb the cuts, Idaho closed a number of its public health centers and reduced the hours for others. In MCH, perinatal service to 200 patients was cut and a maximum hospital payment ($400) was imposed for services to high-risk women and children. In SS, services were divided into one of four categories and one entire category was then eliminated, leaving the other three areas untouched.

### 4. Related Programs

Idaho established an AFDC workfare program. Benefits in Idaho are lower now than they were two years ago: in the past seven years, they have increased by 4.4%.

## ILLINOIS

### 1. The Political Process

Illinois law had always required that federal money go through the state appropriations process. Thus, in FY 1982 and FY 1983 the legislature played a role in block grants through the normal appropriations process. The appropriations hearings were the only public participation process available.

The legislature did, however, enact SB 1251 which will change this in the future. SB 1251 adds 12 new members -- four from the public and eight from the legislature -- to the Illinois Commission on Intergovernmental Cooperation. These 12 members will then form a new Advisory Committee on Block Grants. This Advisory Committee will review and comment on all block grant plans, determine priorities for expenditure, monitor use of the money and conduct public hearings. It will review and comment on any proposed transfer of funds from one block grant to another. It will also make recommendations to the governor and general assembly about the use of state funds in the areas covered by block grants.

The legislature planned to use this Advisory Committee to hold hearings on the FY 83 blocks. However, the bill was not signed by the governor until August 13, 1982, so to date, no legislative hearings for FY 1983 have been held.

## ILLINOIS

The appropriations hearings mentioned above will be called the public hearings for purposes of meeting the federal requirements.

The legislature did not reallocate state funds or raise taxes to make up for the federal cuts in the block grant programs, nor are they likely to do so next year. Illinois is in very poor fiscal shape and will probably have to raise taxes next year, but this is unrelated to block grants. The legislature did require the localities to continue providing "state matching funds" in Social Services and did not decrease the amount of state funds previously allocated to programs within the block grants. No funds were switched from one block grant to another.

Counties were not heavily involved in the block grant process for FYs 1982 or 1983, but the governor was. He established a blue-ribbon 24-member Task Force on Block Grant Implementation ("Task Force"). They worked on all of the block grants except CD (which had its own advisory committee) and education (which is supposed to have an advisory committee of its own). They looked at the entire human services delivery system in Illinois and paid particular attention to the need for streamlining the delivery of services. The Task Force issued a preliminary report in June 1982, and held

ILLINOIS

12 hearings around the state in July and August to discuss the report and get citizen input. Legal services has been able to work with this Task Force and believes that their final recommendations will be implemented.

2. Public Participation

As noted above, no legislative hearings on block grants for FYs 1982 or 1983 were held by the legislature except as part of the appropriations process. The governor did not hold substantive block grant hearings nor did any of the agencies hold specific block grant hearings. (The Department of Health did include the MCH and PH grants in its general public hearings on health issues.)

United Charities is holding public hearings for the legislators during August 1982 to discuss the effect of budget cuts. There is also a Citizen Advocacy Network on the health block grants.

No methods have been established for handling block grant complaints by providers or recipients. In fact, AFDC recipients who are normally entitled to LIEA assistance and who have been denied such assistance have received only a general statement of denial without any statement of reasons for the denial. When hearings have been requested, either they have been denied because LIEA is "not a welfare benefit" or they have been held and the agency has found it lacks jurisdiction.

## ILLINOIS

### 3. Block Grant Implementation

There was a cutback in service in each of the block grants in FY 1982 except for LIEA. This was pro rata across-the-board cut in every area but CS. There have been no changes in fees, or eligibility guidelines although both have been discussed by the Task Force.

### 4. Related Programs

A major change in state AFDC practice limits eligibility for benefits to the date of approval of the application or 30 days after application. (A lawsuit has been filed challenging this.)

GA benefits were reduced. Medicaid services were also reduced by capping the number of prescriptions available, curtailing outpatient service and limiting hospital stays.

## INDIANA

### 1. The Political Process

Indiana had no general block grant legislation prior to FY 1982. An attempt was made to pass such legislation last year, but this attempt was not successful with two exceptions. In P.L. 221, the Interdepartmental Board for the Coordination of Human Services was given statutory authority to receive and dispense the SSBG. An amendment to the same bill gave the legislature authority to appropriate all funds received through block grants.

Indiana has a biennial budget and a July 1-June 30 fiscal year. A budget had been adopted in the winter of 1981, for FYs 1982 and 1983. Thus, when block grants were passed by Congress in August 1981, Indiana already had a budget adopted and was into its fiscal year. To make up for the federal cuts, Indiana did not raise taxes or reallocate resources for FYs 1982 or 1983. After a legislative battle, it did continue to provide "state match" in Title XX for FYs 1982 and 1983. It also drew down all of its remaining funds in Title XX for federal FY 1981, and rolled them into the FY 1982 budget. This mitigated the effect of the SS budget cuts for Indiana's FY 1982. (There was only a 4.7% cut in funds.) However, the harsh effects will be felt in FY 1983, when an additional cut of 4.25% will be implemented. Indiana also chose not to transfer funds from any of the block grants.

INDIANA

When the General Assembly is not in session, Indiana's legislative business is carried on by a Legislative Council of 18. This Legislative Council established a Special Select Committee on Block Grants which is composed of eight members of the legislature plus the state's budget director. This committee is active during the interim, or summer, of 1982. It serves as a subcommittee of the State Budget Committee in that it will be recommending appropriation levels to supplement the block grants and recommending the way the block grants should be spent.

Counties were generally not active in the block grant areas except in CD. Responsibility for the CD block grant was given to the lieutenant governor because he is the person responsible for economic development in the state. The lieutenant governor wanted the CD money for economic development while local governments generally wanted some -- not all, of it put into housing. Most of the money will be spent on CD but there will be some which mayors can use for projects linked to housing.

The governor had an in-house policy committee on block grants and established four Block Grant Task Forces. These Task Forces were composed of members of the legislature, local officials, state administors and two public representatives. One Task Force covered SS, CS and LIEA; one covered MCH, ADMH, PH and PC; one covered CD; one covered education.

## INDIANA

### 2. Public Participation

For FY 1982, the Governor's Task Forces held public hearings around the state. They were all held in September 1981. No minutes were kept and short, 3-4 page reports were issued after the hearings. In general, the Task Forces lacked sufficient time, information or staff for these hearings to be very meaningful. The United Way played the most important non-governmental role in the SSBG hearings. The Task Forces have now been disbanded.

For FY 1983, the Select Committee on Block Grants has been holding public hearings. In June and July, public officials have been testifying; in August, public witnesses will make their presentations. These hearings cover all the block grants.

In Southwest Indiana, a consortium of client groups held their own public hearing to tell members of the legislature how poor people were being affected by the budget cuts. Several legislators attended and a summary of the client's suggestions for change was given to the Indiana Republican Platform Committee.

Indiana has an active human services coalition composed of providers, churches, legal services, League of Women Voters, YWCAs, CAP Directors Association, teachers, associations and professional organizations. Clients have not been actively involved in the coalition despite attempts to have them do so. The coalition was especially successful on SS block grant issues because it had good information and a lot of networks to use in getting that information out to people. Members knew where to go and how to lobby.

The state has established no formal procedures for provider complaints, participants complaints or civil rights problems. This issue will be addressed by public witnesses at the Select Committee hearings.

### 3. Block Grant Implementation

For FYs 1982 and 1983 the Governor's Policy Committee on Block Grants recommended that all service cuts in block grant programs be pro rata across-the-board and that is what was done.

Eligibility was raised to include those with incomes up to 215% of the poverty line for developmentally disabled, alcoholics, drug abuse, mental health and social services. Services for the elderly, and abuse and neglect services include those with incomes up to 150% of poverty. Prior SS law required 50% of services go to public assistance recipients. A few programs, mainly for senior citizens (abuse) were unrestricted. In LIEA, eligibility was reduced from 125% of poverty to 115% and income had to be averaged over the previous year not the previous three months as had been the case in past years.

## INDIANA

Fees were not imposed in any of the SS programs but this has been encouraged in mental health and day care in FY 1983.

In general, uncertainty about the amount of federal funds available had a profound negative effect on the Indiana block grant programs. In SS, this led to staff cuts which will ultimately affect the quality of service. It also led to a drastic cut in services to the profoundly retarded in favor of services aimed at those capable of independent living. In LIEA, this led to reductions in benefits (average by about $40) and long waiting periods because the state would not process applications until they actually received money from the federal government. CS was hard hit in rural areas because most rural CAPs are direct-service providers: if they don't get sufficient administrative funds, they have to cut the service programs. CAP programs have just been further reduced until now many only receive (FY 83) $100,000 per year. All these dollars will go to administration and they will try to get other grants to operate programs.

### 4. Related Programs

There were no legislative changes in AFDC or Medicaid in Indiana, although the AFDC-OBRA changes eliminated many (7,000) families from the Medicaid program.

## INDIANA

Almost all Medicaid services now require prior approval, however.

GA is a local (township poor relief) government program with 103 different variations. State law requires a workfare program -- not all trustees operate one.

An attempt at imposing an AFDC workfare requirement was defeated in the state legislature.

## IOWA

### 1. The Political Process

Prior to 1981, the Iowa legislature did not play a key role in block grants. However, in 1981 the legislature passed SF 563, which requires that:

(1) all block grants be deposited into a special account and be subject to legislative approval;

(2) the governor's budget must specify which federal funds are to be used, to which programs they will apply, and what state match is required;

(3) the legislature must be notified at least 60 days prior to the submission of any federal grant applications; and

(4) unless there are laws to the contrary, block grants will be distributed to programs on a pro-rated basis based on their expenditures of the prior year.

The Iowa legislature also has an Administrative Rules Review committee which has the power to review all agency actions. Through these two mechanisms, the legislature now plays a more active role in determining which agencies administer the grant, and in working with agencies in establishing allocation formulas and targeting, studying regulations and guidelines and holding public hearings.

Iowa has a biennial budget, and a July 1-June 30 fiscal year. In the winter of 1981, the legislature established its budgets for fiscal years 1982 and 1983. When OBRA was enacted in August 1981, the fiscal assumptions under which the Iowa budget was developed were rendered incorrect. As a result of the OBRA AFDC changes, Iowa had a surplus in the 1982 and 1983 state AFDC budget line. Iowa chose to transfer much of this money to Social Services and to Medicaid. As a result, the amount of state money going into Social Services actually increased by $40,000 in fiscal year 1982. (Iowa also raised taxes in 1982, but this was because revenue losses and its depressed economy, not because of block grants.)

Iowa exercised the option of transferring 10% of its LIEA money ($1.6 million) into Social Services. Iowa also block granted the community services money to county governments and existing community action programs, and allowed county governments to make their own determination as to how the local purchase of services under the Social Services block grant should be used.

The governor appointed a human services task force which was made up of state agency heads. They were responsible for giving him advice on human services and, thus, block grant policy. He also established a block grant advisory committee made up of several social services providers and including only two advocates. This committee held a retreat in the fall of 1981 to discuss block grant issues, but was generally not active or influential in the establishment of block grant policies.

### 2. Public Participation

The state legislature held some general informational hearings on block grants in the winter of 1981. No other hearings were held for fiscal year 1982, and none have been scheduled to date for fiscal year 1983.

The governor did not hold block grant public hearings. Some of these state agencies did hold hearings on fiscsl year 1983 block grants. The Iowa Department of Social Services, for example, held 16 such hearings around the state. They were published in the newspaper and in the agency rulemaking bulletin. The agency did make copies of the state plan available in advance to the public. Few people attended these hearings, however. This was largely due to the fact that people have had better success influencing the legislative process and have generally found agency hearings meaningless. Iowa has an active human services coalition which has focused on AFDC and Medicaid issues during the past year. Members of the coalition include religious leaders, union representatives, representatives from women's groups, social services providers, and legal services. Few clients participate in the coalition on a regular basis.

## IOWA

No special procedures have been established for handling block grant complaints from providers. There are procedures for recipient complaints about some of the block grants (Social Services and LIEA). Each agency has its own civil rights enforcement procedures.

### 3. Block Grant Implementation

In most programs, there was a pro-rated across-the-board cut in services. (In community development, there was no cut because there was actually an increase of $2.9 million in funds.) The major exception was in the Social Services block grant local purchase component. Here, services to children were disproportionally cut. Eligibility for social services was restricted to those with incomes of less than 41% of the state median 1981 income. As a result of increases in the state median income, the income cutoff is now 37% of the state median income. Fees for some social services programs will be required for fiscal year 1983.

As the result of budget cuts and the shifting of social service local purchase planning to counties, social services to the mentally retarded and other similar groups, have been reduced or eliminated all together. This has resulted in some migration of these populations from one county to another county whose county board of supervisors has agreed to continue the service.

## 4. Related Programs

Iowa raised its AFDC standard of need by 15% and added an AFDC unemployed parent program last year. This program had been eliminated in May 1981. No major changes were made in the Medicaid program, although Iowa did increase co-payments for optional services and reduced provider reimbursements for most providers by 2.5% This has resulted in some threatened boycotts by optometrists and other health care providers.

General assistance is a county-run program. Workfare requirements were expanded last year for general relief as well as for recipients of the unemployed parent program.

## KANSAS*

### 1. The Political Process

The Kansas legislature has the power of approval/disapproval over the receipt of federal funds. It allocated $0 for social services and health programs in FY 1982 so that if those programs were included in the block grants passed by Congress, the legislature would become involved in the implementation process. In fact, when block grants were enacted it was the Joint Legislative/Executive Finance Council which decided which agencies would administer the programs and set allocation formulas since the legislature itself was not in session.

Ultimately, Kansas added $300,000 to SS funds for FY 1982. It also transferred $1.7 million from LIEA into SS and transferred $500,000 from LIEA to CS. For FY 1983, $600,000 in additional funds will be added to SS; $100,000 to PH; and $2.8 million to ADMH.

### 2. Public Participation

In SS, newspaper display ads on the state plan are no longer used. Public input will be limited to attendance at the monthly Social and Rehabilitative Services meetings.

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*No contact person was available. Information is from secondary sources.

## KANSAS

### 3. Block Grant Implementation

SS got a small infusion of state money and a significant allocation of LIEA money to ease the cuts. Training was severely restricted. The hardest hit, however, were child day care services. Eligibility was reduced to those with income of less than 55% of state average and fees were increased.

## KENTUCKY

### 1. The Political Process

The Kentucky legislature enacted a bill in 1982 establishing a block grant review process. The governor vetoed the bill but the legislature overrode his veto. The governor then sued the legislature and, as of September 1982, that suit is pending.

The bill established that the Legislative Research Commission which meets when the legislature is not in session* be empowered to review block grant plans, hold public hearings and approve/disapprove expenditure plans. (It is the power to approve/disapprove the executive departments expenditure plans to which the governor objects.)

The governor and the legislature have also been battling over the state's budget. When the legislature was out of session, the governor cut the FY 1982 budget in order to keep it balanced. The cuts included an 8% reduction for education and human services. When the legislature met, it enacted a new truck tax and raised the alcoholic beverage tax. The alcohol tax will raise an additional $200 million of which $5 million is slated to make up for SS cuts. In addition, $2.3 million was transferred from LIEA to SS in order to provide in-home health/chore services to the elderly.

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*The legislature meets every two years.

## KENTUCKY

The governor established a CS Advisory Committee which was composed of providers and advocacy groups. State bureaucrats participated as non-voting members. It was responsible for seeing to it that a wide range of services was maintained and that the local CS advisory committees are made up of 1/3 officials, 1/3 providers and 1/3 clients. They compromised with the legislature over implementation of a funding formula, however.

### 2. Public Participation

The legislature held one public hearing in Frankfort in October 1982 -- after the state's FY 1982 block grant plans had been submitted.

Kentucky has a biannual budget and thus in 1982, it was developing its FY 1983-FY 1984 budget. Budget hearings were held as part of this process and block grant issues were addressed. State agency representatives and local government officials were most influential: organized provider groups (United Way, NASW, LWV, churches, clients) were also effective in advocating for increased funds for spouse abuse centers and day care.

In addition, the Department of Human Resources (DHR) and Kentucky Action for Human Needs (KAHN) jointly sponsored budget hearings which again included block grant issues. These hearings were held in five locations around the state which allowed a good mix of people to attend. The block grant plans were available in advance at the local DHR office for people to go in and read. The state made some effort to publicize these hearings but KAHN did most of the publicity. DHR's Bureau of Health Services also held five public hearings on the health block grants. These were not as well publicized and were held after the budget had been approved.

For FY 1984, the Legislative Research Commission could hold block grant public hearings. In order to get a sense of how to do this, the Commission held a "dry run" hearing on the 1983 block grants.

Kentucky has an active human services coalition -- KAHN -- which works on block grants, budget issues, accountability of state/local officials, and workfare. It is composed of churches, unions, clients, providers, LWV and legal services. The legal services representative serves as treasurer.

Kentucky has a very good procedure for handling complaints from service recipients and for dealing with civil rights complaints. It also has provider complaint procedures at least in SS.

## KENTUCKY

### 3. Block Grant Implementation

Before block grants, DHR had had to cut staff because it overspent its budget. It had also made cuts in day care to make up for its prior fiscal mismanagement. With the federal budget reductions in the block grant programs, services were again cut. In SS, training, transportation and day care were hit the hardest. Eligibility was restricted in SS, ADMH, and LIEA. (The LIEA restriction primarily hurt the non-elderly.) In CD, the state favored single-year, rather than multi-year, contracts. MCH was cut only minimally and PH was not accepted. CS was essentially "block granted" to the CAPs and had less money to deal with.

### 4. Related Programs

A scheduled AFDC benefit increase was cancelled in 1982. In Medicaid, some services were cut in 1982: controlling the growth of Medicaid is a budget priority in FY 1983 so further cuts are unlikely.

Kentucky has no GA program.

## LOUISIANA

### 1. The Political Process

The Louisiana constitution requires legislative appropriation of all federal funds received by the state, so the Louisiana legislature has had a history of involvement in the appropriations process. When the legislature is not in session, a Joint Legislative Committee on the Budget (composed of the House Appropriations Committee and the Senate Finance Committee) has the authority to deal with fiscal matters. In 1981, this authority was specifically extended to the review of the receipt of all block grant funds newly incorporated into the state budget.

This Joint Legislative Committee was active in a number of the block grants, overseeing transfer of funds between state departments, maintaining state match percentages and approving the transfer of $1.5 million from LIEA to SS.

In addition, Louisiana law requires all new regulations and regulation changes to be reviewed by the standing committee responsible for the specific subject area. Since block grant implementation required such changes, both the House and Senate Welfare Committees reviewed all regulatory changes.

The legislature also enacted H.B. 35 which transferred the CS program to the Department of Labor;

## LOUISIANA

S.B. 999 which established procedures for the administration of community action agencies; H.B. 750 which made the state's procurement code applicable to block grants; and S.B. 850 which set up rules and regulations prohibiting discrimination. The legislature enacted -- but the governor vetoed -- an additional piece of legislation which would have established an Office of Civil Rights which would have addressed civil rights concerns in a number of areas, including block grants.

The parishes were not particularly active in the block grant process.

The governor did not establish a block grant advisory committee.

### 2. Public Participation

There was no public participation in the 1982 block grant process. (The legislature tried to hold hearings in September 1981, but the agency people couldn't tell the legislators what they planned to do because the governor had not approved their plans.) During 1982, the House Appropriations Committee and the Senate Health and Welfare Committee held meetings in both New Orleans and Baton Rouge to discuss block grants. These were not hearings per se, but public and private groups and individuals did attend these meetings and turned them into forums to discuss block grants. Also, the Legislative Black Caucus, conducted a workshop on New Federalism.

## LOUISIANA

For FY 1983, hearings were conducted by the legislature around the state.

Louisiana has an active human services coalition -- The Louisiana Hunger Coalition/Survival Coalition.

### 3. Block Grant Implementation

In SS in 1982, the state suffered a reduction of $9.4 million. Some of this was made up by internal budget transfers ($1.1 million), some from a transfer in of LIEA funds ($1.5 million) and some by transferring services to other funding sources, e.g., Title XIX ($1.24 million). However, since the amount of federal funds was reduced, the state cut its already budgeted funds (-$.4 million) to keep the old match ratio of 3:1. It then prioritized services eliminating five programs, reducing three (including family planning) by 50%, reducing seven by 25%, four by 16.2% and six by 5%. It also saved $.5 million by reducing a planned expansion of day care services and delaying rate increases. It is anticipated that further cuts ($2+ million) in 1983 will be partially offset by a $1.4 million transfer from LIEA to SS. Eligibility has not been changed nor have fees been imposed.

In ADMH, there was actually an increase in funds and no change in services. The same was true in PH. Consequently, funds from these programs were transferred to MCH. This partially offset the federal cut, but special services to mothers, infants, children and youth were cut as were the adolescent parenthood project and the research component of the genetic diseases program.

LIEA was not cut and administrative savings of $.5 million was instituted by issuing only one check per year. This made it possible to transfer money to SS without changing eligibility or reducing services.

CS received $2 million less in FY 1982 than in FY 1981. For FY 1982, the traditional service patterns were followed. In FY 1983, the state will probably receive the same amount of federal funds as it did in 1982. However, it plans to use 27% of those funds for employment and training. This will necessitate a drastic cutback in services traditionally provided by CAAs.

### 4. Related Programs

By statute, Louisiana raises its AFDC standard of need each year to reflect changes in the cost of living. This does not trigger a benefits increase, however. (Benefits have not been increased since 1977.) One house of the legislature voted to add an AFDC-U program, but the other declined, so it was not enacted.

The state has a limited GA program. Last year the only change in this program was the implementation of retrospective budgeting.

## LOUISIANA

In Medicaid, eligibility was broadened by eliminating deeming for people who could be placed in community-based facilities rather than nursing homes.

# MAINE

## 1. The Political Process

Maine has always had a mechanism for legislative approval of the expenditure of federal funds. In its 1981 session, the Maine legislature enacted a new law under which any change from federal categorical programs to block grants could not be implemented by the state without legislative approval. This forced the legislature to go into special session in September 1981 to deal with the OBRA block grants.

Maine has a July 1 to June 30 fiscal year. Thus, when the federal changes occurred Maine was already into its FY 1982. The OBRA AFDC changes occasioned a state savings in the budgeted AFDC line and $500,000 of this money was transferred into the SS block grant. ($1 million was likewise transferred in FY 1983.) The state maintained its state match funds and did not switch funds between block grants.

Counties were not active in the block grant process.

The governor established an Advisory Committee on the education block grant. It was composed of members of the State Board of Education, teachers, local school superintendants and two members of the legislature. This committee developed the plan which was adopted by the legislature for the expenditure of these funds.

MAINE

## 2. Public Participation

In the summer of 1981, in anticipation of the availability of block grants, Maine's Department of Human Resources held public hearings around the state. Since little was known at that time about what programs would be in the block grants and how much money was available, these hearings were largely meaningless.

Because of the new state law discussed above, the legislature held block grant hearings in September of 1981. A special legislative session was called to deal with the block grants and a consolidated public hearing was held. State agency representatives and service providers were the most influential participants at those hearings.

For FY 1983, the legislature held public hearings on block grant issues as part of the normal appropriations process. These hearings were on separate block grants. Again agency representatives dominated, but legal services and organized client groups also played a role. These hearings were advertised in newspapers and information was generally available sufficiently far in advance of the hearing from state officials. These appropriations hearings will be the only public hearings unless there is a drastic cut in federal FY 1983 funds in which case the legislature will go into special session.

There is no active block grant coalition in Maine.

## MAINE

There have been no special methods established to deal with provider or recipient block grant-related complaints. Civil rights complains will be handled by the Maine Human Rights Commission.

### 3. Block Grant Implementation

With the exception of CS and LIEA, block grant brought no changes to Maine. As noted above, service cuts were generally avoided because the legislature transferred AFDC savings into the social services area. There was some decrease in services in CS. In LIEA, there was a cut in services and a change in eligibility: subsidized housing recipients are no longer eligible for LIEA assistance.

There was an effort to eliminate child care licensing standards. This was defeated but the standards were significantly weakened. Two children have died since this occurred.

### 4. Related Programs

Maine raised its standard of need and its benefit level for AFDC recipients last year. Prescription co-payments of .50 cents were begun in Medicaid except for EPSDT-related prescriptions. (The state has administratively determined that this means all children's drugs.)

GA is run by the towns in Maine. They can have workfare components, but not many do.

## MARYLAND

### 1. The Political Process

While some segments of Maryland's economy are in trouble, the state survived FY 1982 in better shape than many of its neighbors. While its federal aid was cut by 3.4 percent, it raised gasoline taxes to help offset the loss.

The Maryland legislature has traditionally played a strong role in the allocation of federal funds. They exercise line-by-line review authority. Last year, the legislature's standing committees also held public hearings on the federal budget cuts, and reviewed all state regulations on budget cuts.

In FY 1982, $2.2 million was reallocated from LIEA to SS and the state appropriated an additional $2 million of its own funds to SS. This will be done again in FY 1983, and the state will put an additional $200,000 into ADMH and an additional $100,000 into MCH.

Maryland chose not to take CS until April 1982. Meanwhile the CAA's pushed legislation to protect existing programs and allow the use of funds for local initiative purposes. The counties went along with this approach.

### 2. Public Participation

As noted above, there were legislative hearings on block grants during 1982. In addition, the Baltimore Welfare Rights Organization held informational workshops for community groups and lobbied a variety of legislators and agency people to push for better public participation.

### 3. Block Grant Implementation

In SS, the full impact of the federal cuts was not felt because of the increase in state funds and transfer of LIEA funds. A noticeable cut was made in foster care services, however.

The CS and MCH cuts were pro rata.

## MASSACHUSETTS

### 1. The Political Process

In 1981, the Massachusetts legislature enacted a provision, over the governor's veto, requiring legislative approval of state block grant plans by the House and Senate Ways and Means committees, prior to the allocation and distribution of funds. The constitutionality of this provision under state law is in question. But if it is not challenged, the legislature will continue to play an active role in determining which agencies will administer block grants, establishing allocation formulas and targeting, and overseeing and auditing the implementation. (Note that the legislature's binding approval authority over state expenditure of *other* funds was repealed, following the legislature's failure to override the governor's veto.) In the state FY 1983 budget, CA agencies were guaranteed 90% of the CS funds.

During FY 1982, the legislature reallocated state funds to supplement programs for fuel assistance (increased from $17 million to $18.5 million): for FY 1983, funds have been increased for community health ($1 million); maternal and child health ($500,000); and day care (commitment to maintaining the same number of slots). The legislature has continued to provide Title XX matching funds.

## MASSACHUSETTS

Governor King did establish a block grant advisory committee, composed of providers and human services advocates. The committee worked on all block grants but was not permitted to exert influence.

No funds were transferred between block grants.

### 2. Public Participation

Massachusetts has a weak APA. Public participation is ineffective, despite an active block grant coalition and law reform and advocacy efforts. No public hearings were held by the state legislature or the governor for FY 1982. The legislature is holding public hearings on all of the FY 1983 block grants in September 1982.

The community development office (EOCD) held hearings on the FY 1982 LIEA block grant, and the Department of Public Health held hearings on the FY 1983 MCH block grant. The most influential persons were state officials and providers. These hearings had little impact. Advocates feel that the advance publicity was not sufficient -- only some received notice of the MCH hearing, and the LIEA notice was late -- but the hearings were fairly accessible. Citizens had access to information, but this was largely due to advocates' Freedom of Information Act requests.

There are two coalitions: one for Human Services providers and one for Human Services advocates. The latter works on citizen participation, criteria and standards for eligibility, criteria for reallocation of funds, and interagency planning. In addition to block grants, it handles workfare and tax reform issues.

One lawsuit was brought under the state APA regarding the WIN demonstration program, which is considered a block grant. Plaintiffs sought public hearings on the implementing regulations. Although they lost, the hope is that the legislature will improve the state APA public hearing requirements as a consequence. Another lawsuit resulted in the issuance of regulations for agency noncompliance with the legislative approval requirements discussed above (I).

No block grant complaint procedures exist. The only civil rights procedure is the currently existing, ineffective Massachusetts Commission Against Discrimination hearing procedure.

### 3. Block Grant Implementation

Precise information on implementation has been difficult to obtain from the governor's office. In general, less service is available under the block grants. In SS, a sliding-fee scale will be established for the first time in FY 1983. AFDC and SSI recipients are still eligible, but the maximum income limit has been lowered to 70% of the median state income. The only social services exempt from fees are family planning, the runaway program (CHINS), protective services, and certain day care services. The waiting list for LIEA services is expected to lengthen.

Information indicates that cutbacks were across-the-board. Although some funds were made up through rollovers of money, there seemed to be no extremely disproportionate cuts.

It is not yet known whether the fees for social services will affect the service population, or whether further changes will occur in 1983. No changes in service quality have been observed.

### 4. Related Programs

For the first time, Massachusetts has raised its standard of need so that it no longer coincides with the AFDC payment level but exceeds it by 5%. The state has proposed to eliminate broad eligibility groups under GA. If this happens, grants may be consolidated and raised about 5%. There has been no change in Medicaid.

## MICHIGAN

### 1. The Political Process

Prior to 1981, Michigan did not have block grant legislation. In 1981, however, such legislation was enacted (PA 135). Pursuant to this legislation 1) state agencies must inform the legislature in a timely manner of all applications for and receipt of block grant funds; 2) state agencies must report to the relevant appropriations committees and fiscal agencies their plans for disbursing block grant funds to organizations or units of local government at least 30 days in advance of dispersal; and 3) state agencies must make a detailed report to the appropriations committees and fiscal agencies any time formerly categorical programs are consolidated into block grants by the federal government.

Michigan has a severely depressed economy, and while taxes were raised last year, this money was not used to make up for the federal block grant cuts. In fact, Michigan decreased the amount of money it had formerly put into some of the programs which were block granted (SS, MCH, PH, ADMH). In addition, Michigan eliminated the requirement that counties put up "state match" in SS. To mitigate this huge cut in SS funds, Michigan transferred $10.3 million from LIEA to SS and the state emergency needs program.

Counties have not generally been involved in the block grant process.

MICHIGAN

The governor delegated the initial task of deciding what to do with the block grants to the Human Services Cabinet which consists of the directors of Public Health, Mental Health, Social Services and Education. The Department of Labor already had an advisory committee on CS and this committee effectively served as an advisory committee on the CS block grant.

## 2. Public Participation

There was very little public participation around the FY 1982 block grants. For FY 1983, however, things changed substantially.

First, the legislature became actively involved in block grants through the appropriations process. The relevant appropriations committees held separate public hearings on each of the block grants. State agency representatives have been the most influential witnesses at these hearings.

In addition, the governor's Human Services Cabinet held a series of six public hearings around the state in February-March 1982. These hearings were well publicized and well attended. A report listing the witnesses and summarizing the testimony was issued and sent to the governor at the conclusion of these hearings. While it is hard to say that the testimony affected what was ultimately done with the block grant money, the decisions were consistent with the tenor of the public comments.

MICHIGAN

Finally, the Michigan Department of Public Health held a series of five forums around the state on the various programs covered by the health block grants. These hearings were also well attended and a report summarizing important points in the testimony and making recommendations was issued in March 1982.

Michigan has a strong, active Coalition for the Fair Implementation of Block Grants. Over 75 organizations -- including churches, labor, professional organizations, providers and clients -- belong. It was largely because of the efforts of the Coalition that the Human Services Cabinet decided to hold public hearings. The Coalition assisted in informing the public about the hearings. This greatly contributed to their success.

No new procedures were established for handling block grant complaints from providers or for civil rights. The existing fair hearing procedure is being used to handle recipient complaints.

### 3. Block Grant Implementation

There were substantial service cuts in every block grant area. Except in SS, these were done pro rata across-the-board. Eligibility for SS was also restricted. Fees were not imposed, but this option has been discussed for FY 1984.

In addition, staff cuts have generated a serious decline in the quality of services. Moreover, under SS, adult home services, support services to families and day care were either partially or totally removed from Title XX support. For FY 1983, adult home services is fifth and day care is eighth on a prioritized list of the eight services to be funded by Title XX.

4. Related Programs

AFDC benefits were reduced by 6% in the last 12 months in Michigan. (They are down 8-1/2% since 1980.) GA benefits were reduced by 6% in that same period (down 11% since 1980). Workfare in the AFDC and GA programs has been expanded.

In Medicaid, Michigan has cut back on outpatient services, eliminated coverage of certain prescription drugs and tightened up physician payment procedures. Co-payment requirements have been imposed for dental, hearing, and vision services and drugs.

## MINNESOTA

### 1. The Political Process

Minnesota had more activity around block grants than any state surveyed. On the legislative front, some changes were made in the 1982 session and others will be made in 1983. Last year the legislature 1) enacted the Minnesota CAP Act of 1981 and added several amendments; 2) enacted a "hold harmless" clause for MCH special projects until July 1983 and created an MCH Task Force; 3) enacted CD/Small Cities legislation (which was vetoed by the governor); 4) debated the feasibility of block granting several programs to the counties; and 5) enacted Minnesota Laws 1982, Chapter 607 which block grants the mental health portion of ADMH funds to the counties and keeps the alcohol and drug abuse portion at the state level.

Minnesota also has a Community Social Services Act of 1979 which creates block grants to counties for social services and many health programs. Under this legislation, the federal SS money is lumped together with state social services funds and allocated to the counties. Each county develops its own service plan detailing who it will serve and which services will be provided. (The plans are subject to approval by the state's Department of Welfare.)

Minnesota is also one of the states in severe fiscal crisis. For FYs 1982-83 (its two-year budget cycle), Minnesota has had to cut $402 million from its budget; defer $268 million in expenditures; and raise $348 million in new revenues. After bitter confrontation between its Republican governor and Democratic legislature, an income tax surcharge was passed, the sales tax base was expanded, homestead tax relief was reduced, indexing of income taxes was lessened, and school tax aid was cut.

In this situation, Minnesota was unable to increase state funds to make up for federal cuts. In fact, the state's contribution to the social services block grant to counties was cut by one-third. Minnesota has "leftover" funds in LIEA which it transferred to CS specifically for energy crisis intervention and alternate energy development projects.

The governor appointed a 31-member education block grant advisory group which actually developed the state's allocation formula. He also had an Energy Assistance Task Force. The Department of Public Welfare established advisory task forces on ADMH, CS, and CD/Small Cities. There was also a legislatively established MCH Task Force, an Intergovernmental Task Force on MCH and PH, and a Community Health Services Advisory Committee. (This latter committee pushed for consolidation of all health block grant funds and then "block granting" them to counties.)

## MINNESOTA

### 2. Public Participation

Not surprisingly, with all of these committees as well as a profound legislative interest, there were a lot of public hearings on block grants in Minnesota. There were also a lot of advisory committee meetings which were open to the public and at which public comment was solicited. Briefly:

SS - Each county develops their own plan. All counties published notice of their plan; of 78 counties 1) 70 had advisory committees; 2) 53 had at least one public meeting or hearing.

MCH - The Intergovernmental Task Force met three times. The MCH Task Force, which was 1/3 consumers and 1/3 providers was a forum for input.

PH - The Intergovernmental Task Force held several public hearings and the state legislature had a budget hearing scheduled for September 1982, but it was cancelled.

ADMH - There were legislative hearings in 1982. The DPW Task Force was created in the fall of 1981 and had input into the state plan.

CS - There were three task force hearings and two legislative hearings in FY 1982.

## MINNESOTA

CD - The Department of Energy, Planning and Development held a series of hearings around the state. The legislature was active in trying to pass legislation.

LIEA - There were a series of agency-sponsored public hearings for FY 1982. For FY 1983, 15 hearings were held in 14 cities in August 1982.

ED - There was a task force but no public hearings.

Civil rights concerns have been addressed only in LIEA.

Minnesota has a number of people working on block grant issues. The Urban Coalition, legal services, CAP directors, providers and the League of Women Voters have recently published an excellent analysis of block grants in Minneosta. Co-Act has worked extensively on LIEA and CD issues.

### 3. Block Grant Implementation

SS funds were cut by 20%. Counties must serve seven population groups (none of them income specific) by state law. Forty of the 78 counties plan to serve only this group. Only five counties plan to provide day care in FY 1983. Sliding-fee scales have been implemented in most counties.

LIEA funds were not ultimately cut. However, because of uncertainty about how much money would be available in FY 1982, average benefits were reduced and a large number of households were found eligible for "0" assistance.

MINNEOSTA

MCH was implemented by maintaining existing providers and making pro rata across-the-board cuts. There was a 16% cut in PH funds and a 28% cut in ADMH. There was an increase in available funds for CD and ED.

4. Related Programs

AFDC benefits were raised in Minnesota by 7% and GA benefits were also increased slightly. In Medicaid, major services cuts, and the imposition of prior authorization for services were proposed in October 1982 and will most likely be adopted.

## MISSISSIPPI

### 1. The Political Process

Mississippi law requires legislative approval of the expenditure of federal funds. (A Budget Board acts when the legislature is not in session.) Other than this requirement, there is no specific legislation on block grants. As a result, the legislature has had limited involvement in the block grant process.

The governor, on the other hand, has been very active. He established three separate block grant advisory committees: one on health and human services; one on community development and one on education. The Health and Human Services (HHS) Block Grant Advisory Board is composed of providers, consumers, client advocates, womens groups, physicians and biracial organizations, plus the appropriate state agency heads. The CD advisory board is composed of mayors and citizens. The education advisory board is an unknown quantity at the moment.

It does not appear that the state has decreased the amount of state funds going into the newly block-granted programs but this is difficult to pin down. In Title XX, matching funds have been raised by local non-profit providers rather than the state. New rules will allow these providers to use in-kind services (including volunteers) as match and will end the requirement that cash match be passed through to the state. Approximately $750,000 was transferred from LIEA to MCH. There was no other fund reallocation or tax increase.

## MISSISSIPPI

### 2. Public Participation

The governor's office sponsored five consolidated block grant hearings around the state. Over 7,000 people attended the hearings! The state agency heads presented their plans and then the meetings were broken into separate sessions on each block. Organized client groups, providers and state agency representatives were predominant at these hearings. For FY 1983, three regional hearings will be held lead by the governor, legislative leaders and agency personnel.

The legislature's public hearings were the usual budget hearings which are not well attended.

Perhaps the most influential group on block grants was the governor's HHS Block Grant Advisory group. They succeeded in pushing the governor to change the SS allocation to cut back on the amount going into administrative cost; recommended the transfer of funds from LIEA to MCH; and successfully argued against the imposition of fees on those with incomes below the poverty line.

Mississippi has an active Human Services Coalition which includes block grants among the issues it addresses. The coalition includes clients, advocates, legal services, NASW as well as churches and labor. This group was instrumental in getting the governor to establish the HHS Block Grant Advisory Board and in pushing for public hearings. Moreover, they used the state's administrative procedure act to gain access to the state plans.

## MISSISSIPPI

Mississippi has established complaint procedures for both providers and recipients. Moreover, the HHS Advisory Board will consider peoples complaints and act as an advocate with the involved agency.

### 3. Block Grant Implementation

In FY 1982, Mississippi overspent its SS block grant funds. So in April, it cut or reduced purchase of service contracts, transferred some services to Titles IVB & E and made administrative reductions. Except for these changes, SS cuts were pro rata across-the-board. Fees for SS programs have been changed: now there will be no fee for those with income below 100% of poverty (was 130% in past), a sliding-fee scale for those with incomes between 101% and 170% of poverty (was 130-170% in the past), and fees for limited services to those with incomes 171%-250% of poverty (same). There was also a drastic increase in child staff ratios for day care from 10:1 to 20:1.

Carryover funds from FY 1981, made for minimal cuts in ADMH in FY 1982. Carryover money from 1982 will make cuts minimal in FY 1983 as well. However, cuts in SS -- which funds alcohol halfway houses and social adjustment programs for discharged mental patients -- will force some realignment of priorities and force the state to put its own money or ADMH funds into these areas. Fees were also raised for ADMH programs.

## MISSISSIPPI

In MCH, carryover funds from FY 1981 also helped ameliorate the funding cuts. Elective surgery for crippled children was deferred, however, and some projects such as improved pregnancy outcome, adolescent pregnancy and maternity services were cut. Fees were raised for MCH services for those with incomes above the poverty level (see above).

In CS, there was a cutback in funds and the state imposed a 25% limitation on administrative funds for CAAs. This, coupled with total loss of hypertension funds, CETA cuts and reduction in youth employment programs led to staff cutbacks and less service being provided. Again carryover funds from FY 1981 lessened the impact somewhat.

In LIEA, average benefits remained the same but there was a significant reduction in the number of people served. There were also waiting lists for those qualifying for benefits due to the uncertainty of the timing of the release of the federal funds

The CD program is just being set up by the Governor's Office of Planning and Policy and an advisory board.

There is some indication that the imposition of fees in health programs is discouraging the use of services.

### 4. Related Programs

The AFDC standard of need was raised in August 1982 by 30%. This did not affect benefits however. No other AFDC changes occurred except those mandated by OBRA.

## MISSISSIPPI

Also in August 1982, the number of physician visits and the number of hospital days allowed were increased from 12 to 18 and from 20 to 30, respectively.

# MISSOURI

## 1. The Political Process

Missouri law requires that the legislature appropriate all funds, so in 1981, they enacted general legislation allowing the governor to accept and expend block grant funds. In addition, HB-9 set up a special SS oversight committee. The legislature also conducted oversight hearings. The Local Government subcommittee held three advisory hearings in different parts of the state as well.

An attempt was made to introduce model legislation on public participation but this was not enacted. Such legislation will be reintroduced in 1983 as will legislation relating to civil rights and affirmative action in the block grant programs. The House passed a resolution spelling out procedures which were to be followed for public participation in block grant implementation: the procedures were not actually followed.

Missouri made no attempt to use state funds to make up for the cut in federal funds: in fact, it reduced state funds going into the programs. Funds were transferred from LIEA to SS.

The governor appointed a citizen-provider advisory committee on the SS block grant.

## MISSOURI

### 2. Public Participation

As noted above, the legislature held oversight hearings and three advisory commiteee hearings.

The governor's SS advisory board met in August 1981 and was faced with an extraordinary amount of information. The advisory committee concluded that either the state should not take the block grants or, if it did so, it should make pro rata cuts. The governor, however, wanted recommendations on what to cut. Eventually, a plan developed by the agency was implemented.

The agency and governor sponsored a series of public meetings around the state on FY 1983 SS plans. The plans were not available until the day of the hearing. During the day, 8-10 separate issue sessions were held and in the evening there was a general presentation by state officials with a question and answer period at the end. Dissatisfied with these procedures, representatives of the Coalition came to Washington to testify at the Senate block grant hearings sponsored by Senator Durenberger.

Missouri has an active coalition of more than 100 groups who are concerned with human services and budget issues. Among its members are women's groups, churches, poor people's organizations, unions, peace groups and advocates. Last year, they opposed all cuts in human services, the implementation of block grants and workfare.

## MISSOURI

### 3. Block Grant Implementation

In SS, the agency developed a set of priorities emphasizing child abuse/neglect and residential care. Other programs were eliminated.

## MONTANA

### 1. The Political Process

Montana's legislature holds a regular session every other year. It adopts a two-year budget and has a July 1-June 30 fiscal year. When the legislature held a regular session in the Winter of 1981, it knew that Congress might enact block grants. Therefore, it enacted legislation which stated that if any block grant funds were received prior to January 3, 1983, a special legislative session would have to be held prior to the expenditure of such funds.

Thus, in November 1981, a special legislative session was convened and the legislature reviewed the proposed expenditure plans and appropriated the money to the various agencies to run the block grant programs. In addition, the legislature "block-granted" the entire CS allocation to the county governments. The counties can either run their own program or contract with one of the ten existing CAP* agencies. Since there are 56 counties -- many with very sparse population -- this bill was seen as an effort to do away with CAPs. However, 36 counties chose to continue to work through the existing CAP agencies.

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*Many serve more than one county.

## MONTANA

In addition, the legislature approved the state agency's plan to run the LIEA program through the counties rather than through the CAPs as it had done in the past. Advocates believe that this is part of a general plan to "block grant" all of the block grants to Montana's counties.

Finally, the legislature allocated an additional $4.9M in state funds to make up for federal cuts in SS and Medicaid, and approved the transfer of funds from LIEA to SS.

The governor has not yet created any block grant advisory committees although he has promised to do so on LIEA.

### 2. Public Participation

There were no public hearings on the FY 1982 block grants. Some legislators did sponsor public hearings in different parts of the state on LIEA after the funds had been allocated.

The agencies held public hearings during late Winter-early Spring of 1982. After the hearings, advocates met with representatives of the governor's office to discuss their concerns.

There is no block grant coalition in Montana, but there is a network of advocates who work on human service issues. Legal services is active in this effort.

Moreover, there is a strong voice on behalf of the elderly and Montana has a Legacy Legislature of elected senior citizens which meets yearly to develop a list of legislative priorities for enactment by the state legislature. Since about 40% of the people served by LIEA are elderly, the administration of these funds has been an issue of concern. Legal services has been involved with seniors in monitoring the expenditure of LIEA funds and may bring litigation if some of the problems in this program are not solved.

### 3. Block Grant Implementation

SS was cushioned by the provision of state funds. In LIEA, eligibility was restricted when the state imposed an assets test which eliminated many senior citizens. The state rolled over $1.5M in LIEA funds from FY 1981 to FY 1982 by leaving any remaining funds in each participants account and then subtracting that from the participants 1982 allotment. This practice may be challenged.

### 4. Related Programs

There were no AFDC changes. Optional services (dentures, eyeglasses, prosthetics) were eliminated from Medicaid coverage. A workfare program was established in General Assistance (GA).

## NEBRASKA*

### 1. The Political Process

Nebraska had serious financial problems last year. As a result, state spending was cut by 2%, 1,000 state jobs were lost and personal income, sales, cigarette and corporate income taxes were raised. The unicameral, non-partisan legislature had review and comment -- but not approval and disapproval power -- over the expenditure of block grant funds. No new state funds were put into the block grant programs; funds were transferred from LIEA to SS.

The governor appointed an Intergovernmental Relations Council ("Council") to work on the block grants. It was composed entirely of state employees. The Council divided itself into subcommittees to deal with individual block grant issues. The work of this Council and its subcommittees was coordinated by the governor's Human Services Coordinator.

### 2. Public Participation

After the various subcommittees of the governor's Council had formulated their plans, the Human Services Coordinator held colloquia around the state to get public input. A major concern was the state's funding allocation formula: funds are distributed solely on the basis of population. Thus, areas with high concentrations of low-income people who need services receive the same amount of funds as areas with equal populations of high-income people who don't need services. Nevertheless, the plans had already been formulated so public comment had little effect.

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*Contact person unable to complete survey by deadline. Information from secondary sources and telephone interview with contact person.

Nebraska's Coalition for Human Services (NCHS) is composed of individuals and organizations around the state who are concerned about human needs. Omaha also has an active Survival Coalition whose chair also chairs NCHS. In Omaha, churches, the Urban League, NAACP, League of Women Voters and Mayor's Office are active. Of major concern to these groups has been the lack of meaningful public participation. They tried, but failed, to convince the governor to appoint consumers to his advisory council.

Another concern is the lack of civil rights assurances particularly vis a vis the Black and Native American populations. Since legal aid has been cut back and is under political attack, no one is available to pursue problems which arise.

## 3. Block Grant Implementation

As in so many other states, the greatest impact of block grant implementation was felt in SS: and, child care was the service hardest hit.

Funds were taken from LIEA to ameliorate the SS cuts. The result was that there was not enough LIEA money to meet the needs of Nebraska's poor citizens for fuel assistance.

Health care has also been affected. Clinic hours have been cut and fewer poor people are being served.

NEBRASKA

4. Related Programs

In Medicaid, services have been cut and substantial copayments for drugs are required.

The social security disability cuts have removed many eligibles from the rolls; cuts in food programs -- especially child nutrition -- are leaving many low-income children hungry; crime is going up.

## NEVADA

### 1. The Political Process

The Nevada legislature meets once every two years and last met in January 1981. It therefore has enacted no legislation, held no hearings and played no formal role in block grant implementation.

Nevada does require legislative approval of the expenditure of federal funds, and, in 1981, the Nevada legislature passed SB 619 which specifically requires that the legislature's Interim Finance Committee approve the allocation of block grant funds. The governor and the Interim Finance Committee appear to have adopted a pro rata across-the-board approach to cuts. There was no increase or decrease in the amount of state funds provided and no reallocation of funds (or raise in taxes) to make up for the federal cuts: $340,000 was transferred from LIEA to CS.

Counties were not active in block grants. The governor did not appoint a block grant advisory committee.

### 2. Public Participation

There were no formal hearings of any kind on the FY 1982 block grants and none have occurred to date on FY 1983.

There are no formal procedures for handling block grant complaints from providers, or recipients: it is unclear whether civil rights procedures have been established.

## NEVADA

There is no active block grant coalition in Nevada.

### 3. Block Grant Implementation

Program cuts were generally pro rata across-the-board. No changes in eligibility or fees have been made.

### 4. Related Programs

In 1981, the state capped its expenditures on AFDC. This has resulted in fluctuation of AFDC benefits every 2-3 months depending on the size of the rolls. There is no state GA program. There have been no changes in Medicaid.

## NEW HAMPSHIRE

### 1. The Political Process

In anticipation of the enactment of federal block grants, the New Hampshire legislature added a footnote to its FY 1982 budget, saying that if block grants became a reality the governor would have to notify the presiding officers of the House and Senate and the General Court (the legislature) and would have final review authority over their expenditure. Pursuant to this legislation, the New Hampshire general court played an active role in block grant implementation in FY 1982. They exercised full review and appropriations power, made allocation changes in the SS block grant program, accepted the PH funds but delayed approval of a portion of the PH plan for nine (9) months and a special Joint House and Senate committee held public hearings on block grant implementation. Moreover, a House Joint Resolution requires that there be public participation in the FY 1983 block grants.

In 1982, the legislature reallocated over $250,000 from employee pay raises and other sources and put the funds into the SS block grant. It also moved 7% of the PH funds to MCH. The legislature did continue to provide "state match" in programs where they were no longer required to do so. New Hampshire does not have a sales tax or an income tax and this means the state's resources for social services programs are limited. Taxes were not raised last year, but it is likely that something will have to be done in 1983.

The governor had no public involvement in the block grant process.

## 2. Public Participation

The legislative joint committee held a public hearing in the state capitol on all the FY 1983 block grants. (New Hampshire did not accept CD.) Extremely short (3 page) block grant plans on ADMH, MCH and PH were presented only at the hearing. There was some information available on SS, CS, and LIEA prior to the hearings. State agency representatives, current service providers, religious groups and legal services representatives had significant impact at these hearings.

In addition, the Department of Health & Welfare (DH&W) and Division of Human Resources jointly held five hearings in different parts of the state on the FY 1983 SS, ADMH, MCH, PH, CS and LIEA plans. Only 31 copies of the state plan for ADMH, MCH, SS & PH were available in advance, however, so meaningful public comment was difficult.

Finally, the legislature held public hearings on the FY 1983 block grants on August 26, 1982.

New Hampshire has an active, established coalition on human needs issues, the New Hampshire Social Welfare Council. It is composed of church groups, providers, the United Ways, counties, concerned individuals and advocacy groups. They have been particularly concerned about getting access to information, and the state's priority-setting process. After the agency block grant hearings, members of the coalition met with the DH&W commissioner and his planning staff. They have agreed to make recommendations to the legislature on a variety of issues and focus legislative attention on those issues which cannot be mutually resolved. They will also be actively pushing legislation to require public participation in the block grant process and for an integrated social services plan.

The New Hampshire People's Alliance is a grassroots organization which has recently received Field Foundation funding through the Coalition on Block Grants and Human Needs. They will also work on many of these issues and do local organizing around fair budget issues as well.

No new procedures have been developed for handling block grant complaints from providers or recipients. The Human Rights Commission will handle civil rights complaints.

### 3. Block Grant Implementation

There were deep service cuts in SS and MCH. In general, in SS the cuts were pro rata across-the-board. There were some variations on this, however, depending on the nature of the service provider. Private agency services were cut more deeply than those provided by the state. In MCH, services to 100 high-risk pregnant women and 300 high-risk newborns were eliminated. There was actually a slight increase in services in ADMH and PH.

Eligibility was restricted in SS, ADMH and LIEA. The LIEA targeting on the basis of income meant certain groups were given automatic eligibility regardless of fuel costs, while many who needed fuel assistance were ineligible.

Fees were imposed for the first time in family planning and meals on wheels. A minimum fee of .50 cents per day was levied for some child care services. Fees were raised for homemaker services. There are also plans being made to allow SS providers to charge any fee they wish in FY 1983!

While there has not yet been a profound change in the quality of services such a change is anticipated. There has always been too little staff in the child care licensing area and there is likely to be an effort to cut back on the licensing standards.

## 4. Related Programs

New Hampshire made no changes in its AFDC program last year. It did save significant funds because of the OBRA AFDC cuts: much of this money was put into the state's school for the mentally disabled. (They were under court order to upgrade this facility.)

## NEW HAMPSHIRE

Twenty percent of the working poor who were dropped from AFDC are back on the rolls due to unemployment. Others have migrated within the state to find cheaper rental housing.

GA is run by the towns in New Hampshire and there have been no significant changes in this program, other than increased demand.

In Medicaid, some recipients were eliminated from coverage because of the OBRA changes. Because of state funding cuts, recipients have been limited to three prescriptions per month and more recently co-payment has been enacted. Speech, physical and occupational therapy have been limited except when provided in nursing homes, only 30 days of nursing care is allowed and hospital days and physician visits are capped at 12 per year.

## NEW JERSEY

### 1. The Political Process

In 1982, the legislature attempted to expand its authority over block grants through a bill which would have required that all federal funds be deposited in the state treasury and be subject to legislative approval before expenditures (A.B. 743). The bill was not enacted. However, negotiations between the governor and legislature resulted in legislative authority over block grant funds for FY 1983 through the state budget process. The Subcommittee on Federal Aid of the Joint Appropriations Committee is the key committee in this process.

In FY 1982, the legislature reallocated funds to make up for the federal budget cuts in SS; it also approved the transfer of $5.7M in LIEA funds to SS. On the negative side, the legislature cut $100,000 in state MCH funds and $100,000 in state aid to education. For FY 1983, it has allocated funds to both SS and LIEA to make up for federal cuts.

The governor established an Education Block Grant Advisory Committee made up of parents, teachers, school administrators, local school board members and private citizens. They developed the formula for distribution of the Ed block grant funds which was ultimately approved by the State Board of Education.

## NEW JERSEY

In 1981, the Department of Human Services also established a Block Grant Steering Committee composed of representatives from a range of groups across-the-state. This committee actively lobbied the legislature for more state dollars for social services and pushed for county-by-county development of social services plans. However, this committee disbanded in January 1982. There was an existing state Title XX Advisory Committee, as well.

### 2. Public Participation

In the Fall of 1981, Title XX advocates staged a rally in the state capitol. This was the only forum held on the FY 1982 block grants. For FY 1983, the Subcommittee on Federal Funds sponsored five regional public hearings in various locations around the state on all the block grants. The first hearing was held in the state capitol and was primarily an opportunity for agency representatives to explain their plans. The state plans (with the exception of SS) were not available before the first hearing. The SS pre-expenditure report was made available in early September to County Welfare Board Directors and copies were sent to each counties' Title XX/Human Services Coalition Chairperson. Comments on the plan were solicited.

The State Health Coordinating Council also held one public hearing on the various health block grants during FY 1982.

## NEW JERSEY

There is presently no active block grant coalition in New Jersey.

There are informal methods for handling block grant complaints from providers, but no methods for handling recipient complaints. Civil rights procedures have been established in the human services and health areas but not in education.

### 3. Block Grant Implementation

In SS, 100 state positions were eliminated. There was also a reduction in day care and seniors' programs, and fees were imposed on lower-income people. Fees were raised for family planning services. In 1983, fees will also be imposed for homemaker services, mental health, and for the second child in a family receiving day care services.

In ADMH, eligibility was restricted. Fees were imposed and less service was provided. The same was true in MCH. Several specific programs were eliminated under PH (in New Jersey called "HPS").

In education, non-public schools will get a greater share of the funds than they got under the old programs.

### 4. Related Programs

New Jersey made no major changes in AFDC or GA last year. However, the federal OBRA AFDC changes that large numbers of working poor families and families whose youngest child was a student over age 18, were cut from the AFDC rolls. Since New Jersey does not have a medically-needy program, these folks also lost Medicaid benefits.

## NEW MEXICO

### 1. The Political Process

New Mexico's legislature meets for 30 days in even-numbered years and 60 days in odd-numbered years. New Mexico did not have legislation relating to block grants prior to FY 1982. Thus the legislature was limited to simply review and comment over the proposed use of the funds.

Last year, the legislature set up an Interim Federal Funds Reduction Study Committee. This committee reviewed block grants and proposed that the legislature enact three items. The legislature declined to enact two of the items, but did pass the third. This item would have given the legislature the power to appropriate federal funds. The governor vetoed this bill and the legislature failed to override the veto. The issue will probably come up again next session.

The legislature reallocated funds raised under a new liquor licensing law to MCH and ADMH, maintained "state match" in all programs and increased funds for SS last year. No funds were switched among the blocks.

Counties were not active in the block grant process.

The governor established a block grant task force composed of the heads of the various state departments involved and members of his own staff. They made the decision about who would handle which block grant.

## NEW MEXICO

### 2. Public Participation

The Interim Committee of the legislature held three public hearings on block grants. They were consolidated hearings and all were held in the state capitol. Few people attended: state officials and agency representatives dominated the process.

In addition, the state's Department of Finance held seven consolidated hearings around the state. State and local government officials and current service providers dominated these hearings. They were designed to be purely informational.

New Mexico now has an active state-wide coalition called the Human Services Coalition. It is composed of advocacy groups, LWV, seniors, legal services, providers, churches and the AFT. This Coalition, in conjunction with the Children's Defense Fund, sponsored a citizen's hearing on the SS block grant. Clients and providers used this forum to air their concerns. The Coalition will now focus its efforts on getting the state to use its surplus to make up for the federal human services cuts and to straighten out the state's administrative procedures.

Finally, the New Mexico Advisory Committee to the United States Commission on Civil Rights held public hearings in July 1982 on civil rights problems in block grant implementation. These hearings highlighted some serious problems for Native Americans in New Mexico's block grant implementation.

## NEW MEXICO

New Mexico did not establish new procedures for handling block grant-related complaints from providers or for civil rights complaints. The old appeals process has been retained for consumer complaints.

### 3. Block Grant Implementation

There were cuts in every program except ADMH. These cuts were not done pro rata across-the-board. Instead, Native American programs took the bulk of the cuts. In SS this was particularly devastating because the tribes also absorbed major cuts in self-determination act funding.

Eligibility was restricted in SS and waiting lists established in SS and LIEA.

There were also attempts to further restrict eligibility and expand fees in SS. This was severely denounced at a public hearing and the state now says it will not implement this plan.

The quality of services -- except to Native Americans -- has not yet deteriorated. However, unless the state puts money into these programs next year, deterioration will occur.

### 4. Related Programs

New Mexico raised its AFDC standard of need last year. The GA program remained unchanged.

Since New Mexico does not have a medically-needy program, those eliminated from AFDC by the OBRA changes were eliminated from Medicaid coverage. Attempts were made to reduce services and impose fees in Medicaid but public outcry stopped their implementation. It is likely that some reduction in services and co-payments will be proposed again next year.

## NEW YORK

### 1. The Political Process

In 1981, the New York legislature passed the Accounting, Financial Reporting and Budget Accountability Reform Act of 1981. The law requires all federal funds to be appropriated by the legislature, prohibits transfer of money between funds unless authorized by statute and requires the state comptroller to issue detailed monthly, quarterly and annual reports on the source and use of funds.

New York assumed the SS, LIEA and ADMH block grants on October 1, 1981. It picked up PH, ED and MCH on July 1, 1982 and will assume CS on October 1, 1982. It does not plan to assume PC (because of the match requirements) or CD.

To implement SS, the legislature enacted a bill which requires that all but 2% of the funds be passed through to local districts and maintains state matching funds at the FY 1981 level. (The 2% reserved can be used for training.) To partially offset the $60 million cut in federal funds, the financing of state operated Title XX programs was shifted to other sources enabling $30 million to be reallocated to local social service districts. The state Department of Social Services also transferred $10 million from LIEA to SS so that no district received less federal funds for state mandated social services than it received in FY 1981. The net result was a loss of $20 million to local social services districts which resulted in cuts in non-mandated services. Legislation was also passed in July 1982 to authorize the takeover of CS on Oct. 1, 1982.

Other than SS which is effectively a block grant to counties, there has been no other attempt to set up block grants to the counties.

The governor does have a Task Force on the Federal Budget which issued a report on Block Grants Administered by New York State in July 1982. He did not have a specific block grant advisory committee, however.

## 2. Public Participation

Joint legislative committees held some public hearings on block grants where required. Some executive agencies also held hearings. They were not terribly effective.

For FY 1982, New York had a locally administered/ state supervised Home Energy Assistance Program (HEAP) with $18 million less in federal LIEA funds. For FY 1983 the Department held public hearings in June 1982 and is now developing a state plan.

In ADMH, an overall cut of $19 million in funds was sustained. Because of a rollover of 1981 funds, however, there was no serious reduction in community mental health services. Public hearings for FY 1983 have been held on this block grant by the legislature.

The social services funding cuts were described above. Local districts were required to meet with their local advisory councils to discuss how to deal with the cuts. They then had to submit revised FY 1982 plans, documenting that such a meeting had taken place.

## NEW YORK

Since New York did not take the PH or MCH until July 1st, no FY 1982 hearings were held. The state Department of Health did publish extensive plans for these block grants for public comment. Public hearings will be held in August or September 1982.

There is a very active coalition in New York called the Statewide Emergency Network for Social and Economic Security (SENSES). It includes churches, local budget coalitions, legal services, providers and the like. They have been actively involved in gathering information about the impact of the budget cuts and in meeting with officials in the legislative and executive branches.

No new methods have been established for handling civil rights, provider or recipient complaints.

### 3. Block Grant Implementation

As noted above, New York chose not to take CD or PC block grants. The federal government will continue to administer these and it will probably be forced to close five or six community health centers next year. CS will be administered by the federal government until September 30, 1982 with a 20% across-the-board funding cut.

The state took over PH and MCH on July 1, 1982 and appears to be proposing pro rata across-the-board cuts in this area which would be in line with what the federal government did when it administered the program.

NEW YORK

In ADMH, rollover of funds from the previous year made service cuts minimal to date. However, it is estimated that 4,000 slots for drug abuse in rural areas and the inner-city will be eliminated in the next year. In SS, mandated state services were not affected because of the reallocation of funds and the transfer of LIEA money discussed above. Of the cuts that were made, 37% were in day care, 12% in training and the bulk of the rest in homemaker services, chore services and adult preventive services.

There were no eligibility changes and fees were not imposed in any of the programs. The quality of services provided does not seem to have been affected yet.

### 4. Related Programs

There were no changes in AFDC or Medicaid except those occasioned by OBRA. GA remained unchanged.

## NORTH CAROLINA

### 1. The Political Process

In 1981, the North Carolina legislature enacted HB 1392 which directed that all federal block grant funds received by the state between August 31, 1981 and July 1, 1983 go to the General Assembly. The legislation also established a Joint Legislative Committee to Review Federal Block Grants.

No new state funds were put into the block grant programs. Funds were shifted from LIEA to MCH and PH.

The governor refused to appoint a block grant task force or develop any mechanism for citizen involvement in block grants.

### 2. Public Participation

After most of the decisions had been made, six regional hearings were held on block grants. More than five thousand people attended these hearings. However, since the agencies had not distributed their plans in advance of the hearings only limited public comment was possible.

The Statewide Advocacy Task Force on Block Grants pressed for better public participation. In frustration, several task force members held their own public forums for citizens, elected officials and administrators. One coalition affiliate is looking at possible legislation to deal with some of the problems.

Among the agencies, only the director of community development has sought real input.

## NORTH CAROLINA

### 3. Block Grant Implementation

In SS, staff was reduced, purchase of service contracts were cancelled and contracting procedures were simplified. Agencies were given the choice of using some of their funds for training or of applying the money to ameliorate service cuts. Eligibility was tightened, and some services were shifted to Title IV-B. Finally, all of the Title XX Area Planning Advisory Committees were eliminated. There is now no public hearing mechanism.

### 4. Related Programs

North Carolina doubled its AFDC standard of need in October 1981 and raised AFDC benefits by 5% in June 1982.

A few metropolitan counties in North Carolina have GA programs, but there is no statewide program.

In October 1981, North Carolina made drastic reductions in the services covered by Medicaid. So much money was saved, that the state later softened the cuts. Today there are limits on physician visits (241/year) and drugs (six prescriptions/month). Copayments have not been imposed yet, but a public hearing on this issue has been scheduled for November 1982.

## NORTH DAKOTA

### 1. The Political Process

The North Dakota legislature meets only once every two years and last met in the winter of 1981. Thus no legislation on block grants has been enacted. Nor is any legislation giving the legislature a large role in block grants likely.

The legislature does have an Interim Budget Committee which meets when the legislature is not in session. This committee met, reviewed block grant plans and held public hearings.

The governor did not have a block grant advisory committee or play an active role in the process.

Money was transferred from LIEA to SS.

### 2. Public Participation

There was basically no public participation on the FY 1982 block grants. For FY 1983, a variety of activities occurred. In CS, the proposal was made available from the state agency and copies were given to local CAPs. Newspaper notices were put in eight newspapers stating that the plan was available and the state wanted comment. There was no public participation in PH. In LIEA, the plan was made available for public comment and the state held meetings with fuel dealers.

The Department of Human Services asked each of its eight regional offices to hold public hearings on the ADMH and SS programs. One region actually held meaningful public hearings in each of its counties. The other seven regions made very little real effort to get public participation: their activities ranged from just making the plan available for comment to meeting in one location with their regional advisory committee. The successful region made a genuine outreach effort through newspapers, PSAs, and letters to individuals inviting them to testify.

After these hearings were held, the legislative Interim Committee held public hearings in July 1982. These were consolidated hearings, dominated by state officials and state agency representatives. Service providers, local government officials, CAP agencies, LWV and legal services also had some influence.

North Dakota does not yet have an active block grant coalition.

No new procedures have been established for handling block grant complaints from providers or recipients or for handling civil rights issues.

### 3. Block Grant Implementation

There were service cuts in PH and CS. These will particularly hurt the training of nurse practitioners who are critically important in providing health care in rural areas. For FY 1983, the state has assumed that the federal government will provide the same level of funds it provided in FY 1982. Since this assumption is likely to be incorrect, cuts are inevitable in other programs next year.

Eligibility for LIEA was restricted and fees were imposed in SS and ADMH. (The successful regional hearing discussed above, overwhelmingly supported reducing or eliminating these fees.)

4. Related Programs

There was a slight increase in AFDC benefit levels in October, 1981. There was also a 20% reduction in the number of AFDC recipients due to the OBRA AFDC cuts.

There were no changes in GA or Medicaid.

## OHIO

### 1. The Political Process

The Ohio legislature has traditionally exercised the power to allocate federal grant money. In 1981, pursuant to H.B. 694, it allocated the anticipated federal block grant funds. It also created a Joint Legislative Committee on Federal Funds to monitor the receipt and expenditure of federal funds and to review all federal grant programs including block grants (H.J.R. No. 39). Since this resolution was part of the budget process, it will expire in 1983 when the FY 1981-83 budget expires. The legislature must then decide whether to continue this Joint Committee and give it more power.

The governor established an Interdepartmental Task Force on Block Grants. It was composed of agency heads and worked on cross-cutting issues such as auditing, reporting requirements and data collection. (Each agency did its own program planning.)

Ohio is one of the states hard-hit by the current recession. Since December 1980, it has gone through five rounds of spending cuts. Between February and June 1982 alone, it was forced to make over $1.3 billion in budget adjustments. This was done by increasing gas taxes, effecting public utility and corporate franchise taxes, imposing income tax surcharges, and making permanent a heretofore temporary one-cent sales tax increase. In addition, $500 million in budget cuts were made -- including cuts in school aid, AFDC and agency operating budgets. Funds for GA and Medicaid had to be increased however to cover the cost of covering the unemployed whose unemployment benefits had run out. Obviously, the state did not use its own funds to replace the funds cut when Congress enacted the block grants.

Ohio's larger counties were interested in enacting legislation which would block grant the health and human services block grants to the counties. The Joint Legislative Committee held hearings on this issue at which serious opposition was voiced. The counties then began working on a bill which would make such blocks optional. Such legislation is likely to be introduced in 1983.

### 2. Public Participation

The Joint Committee met in September 1981 to decide whether to accept the block grants. This meeting actually focused on Title XX. The Ohio Citizens Council urged the state to adopt a one-year transition plan in which all the existing fund distribution formulas, program requirements, fiscal accountability mechanisms, etc., would remain in place. This is essentially what was done.

OHIO

In addition, an advocacy group -- the Ohio Rural Housing Coalition -- forced a legislative hearing on rural housing issues in the CD program when the state agency balked at allowing public participation. At the hearing it became known that the agency's proposed allocation formula would have made previously distressed communities ineligible for funds. The formula was changed. (The agency later agreed to hold its own public hearing as well.)

In addition, both the Joint Committee and the state agencies have held a variety of hearings throughout the past year on individual block grant programs. These hearings have been more educational than an effort to get public input. For example in August 1982, the legislative hearing on ADMH lasted all of three hours and was generally just an agency presentation of its plan. When the issue is hotly contested (i.e., CS fund allocation) the hearings have been longer and more lively.

The one exception to this was in the energy assistance program (called HEAP) where the agency did hold four hearings in different locations around the state. These were not well publicized but some clients were able to attend and give comments.

In SS, local social services plans were developed by the local welfare boards and county advisory boards and were supposed to be given to the CAPs and county commissioners in July 1982 for public review. The plans were not, in fact, available.

## OHIO

The Ohio Citizen's Council has a human needs finance subcommittee composed of providers, church folk, Junior League, Children's Defense Fund, education activists and legal services. They have looked at block grant issues and have a particular concern about education and tax reform. The Ohio Clients Council -- a low-income advocacy organization -- has also done training. Their primary concerns, however, have been with food stamp, health and workfare issues. Ohio State Legal Services has done radio spots and talk shows on block grant issues as part of its community education effort.

To date no complaint procedures have been established for providers or on civil rights. There is a hotline for handling participant complaints in the HEAP program.

### 3. Block Grant Implementation

Following the Joint Committee's recommendation, cuts were generally pro rata across-the-board in proportion to the cuts in federal funding with no changes in eligibility or fees in FY 1982.

Understaffing will probably begin to affect the quality of services in FY 1983. The state has also decided not to apply its child care licensing standards to workfare placements.

### 4. Related Programs

Ohio raised its standard of need in AFDC last year and planned to raise benefits by 5%. However, the state's

## OHIO

budget problems precipitated a legislative recission of the increase. This happened in GA as well: a planned 5% benefit increase was rescinded. In addition, the state no longer mandates a minimum benefit. Each county can set their own.

## OKLAHOMA

### 1. The Political Process

In 1981, the Oklahoma legislature -- over the governor's veto -- enacted SB 326. This bill created a 10-member Joint Committee on Federal Funds (JCFF) with five members from the House and five members from the Senate. The JCFF was given the power to review, approve, disapprove or amend any application or plan for the use of federal funds of more than $10,000. The bill also established a Federal Assistance Management Division (FAMD) within the Department of Economic and Community Affairs which was to serve as a clearinghouse on applications for federal assistance and developed a format for agencies to follow in notifying FAMD of such applications. Finally, the bill required CAP agencies to use the FAMD in the same way as required by state agencies.

Since the effective date of SB 326 was October 1, 1981 the governor rushed implementation of the FY 1982 block grants so that he would not have to comply with this legislation for FY 1982.

This legislation was amended in June 1982 (H.B. 1797) to expand the number of members on the JCFF to 20. In addition, the new law requires that 1) public hearings be held on all block grants; and 2) all proposals for block grants be filed by June 1st and copies be made available to the public at no charge. Hearings can be held by the JCFF or by another committee: if another committee holds the hearing it must do so by August 1st and make a written report -- including a summary of all oral or written public comments -- to the JCFF. The JCFF may then hold further hearings if it wishes to do so. Finally, H.B. 1797 requires targeting to the most needy persons, equal access and uniform rights to appeal. Specific civil rights concerns and appeal procedures are enumerated. The bill was to be affective immediately.

Unfortunately, on May 28, 1982 the state Attorney General issued an opinion that the JCFF was an unconstitutional abridgement of the separation of powers required by the Oklahoma constitution. The JCFF has taken the position that this does not affect their right to review and monitor block grant applications, nor does it affect the civil rights and hearing procedures established by H.B. 1797. The issue of the future role of the JCFF will have to be resolved in the next legislative session.

In the meantime, the state has a large budget surplus ($400-500 million) and has thus been able to maintain the level of state funds and continue match. The Human Services Department received a $100M increase last year, but, since this money was not appropriated by line item, it is difficult to tell exactly where it went. Some of it obviously went into SS because there were no major cuts in those programs. In addition, S.B. 614 passed in

July 1982, allocates an additional $16.6 million in state funds for FY 1983: $10 million to make up for a variety of federal cuts, including those in health and school lunch programs, and $6.6 million to education.

County governments in Oklahoma were involved in a political scandal through most of the last year and were thus not greatly involved in block grants. The COGs did testify at public meetings and hearings, mostly about CD.

The governor established two block grant advisory committees. One dealt just with education and was handpicked by the governor. The other dealt with all the block grants except PC (which Oklahoma is not accepting) and was composed of the appropriate agency heads and/or their delegates. They looked only at structural issues (i.e., who administers the block) and not at planning within the block.

## 2. Public Participation

Neither the governor nor the legislature held public hearings on FY 1982 block grants.

Agency planning meetings were held around the state on CD, comments were given, and then an actual public hearing was held. In CS, one public hearing was held at which Indian representatives tried to raise some of the problems discussed below. These were publicized by mailings. In education, there were regional meetings and the Advisory Board held one public hearing to which no one came due to lack of notice.

OKLAHOMA

The Department of Human Services held some meetings on LIEA and SS. Recommendations were then presented to various advisory committees which in turn made recommendations to the Coordinating Committee of DHS and then to the Human Services Commission. On ADMH the state had existing advisory groups and plans to hold 20 annual community forums (none were held for FY 1983, however).

Notice for all these meetings was done by legal notice in the newspaper. The plans were provided at the meetings and were either so short as to be meaningless or too long to be digested and meaningfully commented upon.

After the hearings, plans were developed and sent to the legislature. Hopefully next year the procedure outlined in HB. 1797 will be followed and the result will be meaningful legislative public hearings.

Oklahoma has a very active coalition: the Coalition for Fair Block Grants, which is supported by voluntary contributions. It has over 105 members statewide including church groups, unions, providers, clients, legal services, city managers, CAP agencies and Indian tribes. Their goals are to affect the block grant planning process, secure clients rights, educate the community, influence the budget process and promote public participation in block grant issues. They tried to get the governor to put consumer representatives on his advisory committee but he refused to do so. They developed and lobbied for passage of the civil rights sections of HB. 1797, and also worked on the amendments strengthening the public hearing process.

There are no established grievance procedures for providers although one was proposed. SB. 1797 establishes a grievance procedure for clients and each agency is expected to promulgate rules and regulations to effectuate this. SB. 1797 also deals with civil rights concerns.

## 4. Block Grant Implementation

Social services programs were not cut in FY 1982. This was possible through a combination of an increase in state funds and a transfer of some programs from Title XX to other titles. Day care services, for example, were retained at current level by transferring 34% of the funding to Title IV-B. Likewise, there were no cuts in PH or ADMH because the state was able to rollover FY 1981 funds. In MCH, a major child study clinic for the handicapped was cut from federal discretionary funding, and an increased demand for prenatal services caused long waiting lists. There were cuts in CS and LIEA. Oklahoma served more than 600 fewer households last year in LIEA and had little money left for its summer heat program. By legislative directive CS is aimed at the elderly and handicapped so other programs (i.e., teen programs) were cut.

Eligibility was slightly restructed for LIEA by failing to raise the income level for eligibility to reflect changes in the cost of living. No other eligibility changes or fees were imposed. However, the state is requiring local match funds for CD and this may discourage participation by low-income minority communities.

In 1983, eligibility may be limited to just public assistance recipients for weatherization and for all non-day care social services.

## 4. Related Programs

Oklahoma made no changes in AFDC or Medicaid except those required by OBRA. OBRA eliminated almost 8,000 families from AFDC. A state workfare bill was passed but deferred for budget reasons. There is a pilot workfare project for all recipients funded by HHS. Attempts will probably be made to eliminate the state's small GA program next year.

## 5. Native American Programs

There are civil rights problems for Native Americans in Oklahoma related to the block grants. Community Services was a particular problem as was LIEA. Tribes received only token CS funds and their LIEA funding was reduced 86%. There were also problems for urban Indian health centers which do not fit either the state or federal definition for eligibility, yet serve the health needs of Oklahoma's large urban Indian population.

## OREGON

### 1. The Political Process

The Oregon legislature has a long history of involvement with expenditure of federal funds. The legislature meets every other year and develops a two-year budget. When the legislature is not in session, the legislative Emergency Board is empowered to approve/disapprove grant applications and appropriate unanticipated federal funds.

When the legislature met in 1981, it anticipated that many programs would be block granted and that there would be a 25% reduction in the amount of federal funds going into the programs. In anticipation of this, the legislature allocated additional state monies to SS, CS and ADMH. In PH, they voted to eliminate fluoridation, hypertension and health education programs, rather than use state funds to ameliorate the federal cuts.

Subsequently, Oregon's fiscal situation deteriorated,* and two special legislative sessions had to be called to balance the budget. Budget cuts of $205 million and tax increases of $154 million were enacted. The legislature also approved a switch of $2.2 million from LIEA to SS.

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*It had had a $285 million surplus in FY 1979.

OREGON

The governor did not himself establish a block grant advisory committee for any program but CD. However, the Department of Human Resources directed the administrator of each department with block grant programs to appoint a task force to assist in priority setting. These task forces were generally composed of local politicians, bureaucrats and providers. The Governor's Community Development Policy Advisory Committee is composed of state and local officials. Oregon did not take the CD program for FY 1982, pending discussions by the Advisory Committee. The Advisory Committee presented a final proposal to the governor which was approved and the legislature will most likely accept the program.

## 2. Public Participation

With one exception, the only form of public hearings held to date have been the legislative budget hearings. These hearings have been held in the state capitol with little advanced publicity, access to information or chance for meaningful public comment.

The exception was CD where four hearings were held around the state during July 1982. These hearings were sponsored by the Governor's Policy Advisory Committee and were designed to solicit public comment on their draft CD proposal. The proposal was circulated in advance with sufficient time for meaningful comments to be prepared.

OREGON

Some of the agencies have held public hearings which have incidentally covered block grant issues, but these have not been identified as block grant hearings *per se*.

There is no special procedure for handling provider, consumer or civil rights block grant complaints. However, the Oregon APA sets out certain hearing rights which may apply.

There is currently no block grant coalition in Oregon. THere is a low-income organization -- the Oregon Human Rights Coalition -- which works closely with legal services, but this organization has been focusing on the cuts in AFDC, Medicaid, food stamps and Emergency Assistance because these have been more pressing.

3. Block Grant Implementation

As noted above,the legislature used state funds to make up for some of the federal cuts in SS and ADMH. In LIEA, reductions totaling $28.5 million were made in the program. Many of these cuts affected the weatherization portion of the program. Since CAPs administered weatherization, they had a 6% cut in CS funds and a drastic reduction in the amount of weatherization assistance which could be provided. In PH, services were eliminated (see above).

## OREGON

In MCH, there was a 25% reduction in funds. Both MCH and mental health services are run by counties in Oregon. Each county has the right to charge fees and some may have done so.

### 4. Related Programs

In 1980, Oregon eliminated its AFDC-U program. Last year it lowered the AFDC standard of need and reduced benefits. It also lowered benefits and tightened eligibility in its already limited GA program.

In Medicaid, the state has reduced the number of hospital days it will cover and limited the transportation it will pay for. It has also gone to a system of prior authorization for many services (e.g., dentures). Fees were not imposed last year but authorization to impose copayments will be sought in the 1983 legislative session.

## PENNSYLVANIA

### 1. The Political Process

Since 1976, the Pennsylvania legislature has exercised the power to appropriate federal funds. As part of the appropriations process in December 1981, 5% of the CS block grant was transferred to Headstart and approval was given to transfer 10% of these funds in FY 1983 (H.B. 1290).

A bill was introduced -- at the behest of the CAAs -- to pass through the entire CS appropriation to the local CAAs. This bill is pending. The legislature did vote to block grant part of the SS funds to the counties in FY 1983 in the form of an adult service block grant. The governor proposed, but the legislature rejected a bill which would have block granted ED funds to local school districts. (As part of the block grant, state mandates in regard to the provision of special education services would have been relaxed.)

At the request of the United Way, the governor appointed a Human Services Advisory Council to oversee block grant implementation. The chair of the council is a county commissioner as are three other council members. What influence counties exerted, was done through this council and through meetings with state officials. The council had no consumer or provider members although labor and churches were represented: its function was largely ceremonial. In addition, the governor created a Human Resources Council, composed of himself, and the appropriate members of his cabinet. In addition, each agency has its own block grant task force.

The only reallocation which occurred was that $1 million in SS funds were switched from legal services into the new adult services block grant.

## 2. Public Participation

In 1982, the legislature held two "public hearings" on block grants, one in Pittsburg and one in Philadelphia. Eleven people were invited to testify at these hearings. These hearings were advertised one week in advance in the legal section of various newspapers. The governor's Human Resources Council held public forums around the state on the new block grants. The apprropriate agency heads testified about their plans and this was followed by a question and answer session. In addition, the Department of Community Affairs held a specific public hearing on CS, and the Department of Public Welfare held a two-day workshop on SS.

For FY 1983, Human Services Advisory Council worked with the county commissioners to set up block grant public hearings. Thirty-six hearings were held in various places around the state on LIEA, CS, SS, PH, MCH and ADMH. In some cases, the proposed plans were available in advance either through the agencies or through the Pennsylvania Bulletin. Every grantee was given notice that these public hearings would be held and local groups were encouraged to publicize the events.

Pennsylvania does have a coalition of statewide organizations and client groups which work on human services issues. They have been particularly concerned with public participation issues and have written a model grant contract for subgrantees of block granted funds.

No new procedures have been established for handling block grant complaints from providers or consumers, nor for handling civil rights complaints.

### 3. Block Grant Implementation

Pennsylvania had carry-over funds from FY 1981 which largely cushioned the initial implementation of block grants in FY 1982. This will not be true in FY 1983 and the state's precarious economy makes it unlikely that state funds will be used to make up for the federal cuts.

In SS, the creation of an adult services block grant drained funds away from child care. To deal with this, the state reduced eligibility (from 110% to 90% of median income) and imposed minimum fees of $5 per week. This has had an effect on low-income families (particularly those with more than one child) who cannot afford the fees.

## PENNSYLVANIA

In addition, the state has eliminated several child care licensing standards and cut back on monitoring of child care facilities. Contracts for private agency child care contracts have been put out to bid without qualitative guidelines.

In CS, the state agency developed "Choices for Pennsylvania" from which priorities were selected. Current CAAs were funded for FY 1982 with local initiative funds while supplemental funds were alloted for 1) employment/training; 2) economic development; and 3) youth programs. For FY 1983, CAAs will be expected to emphasize these three areas or face defunding. Along with this, eligibility for CS services was broadened.

Due to staff lay-offs and a lack of publicity, there were serious problems in the administration of the LIEA program. The staff problems caused processing delays for those who applied and the lack of outreach meant that many eligibles did not apply. By April 1982, only 214,000 of the 375,000 estimated to be served by the program had actually been helped. The elderly were particularly affected.

### 4. Related Programs

Pennsylvania raised its AFDC benefits by 10% last year at the same time it eliminated GA. A new workfare program (called "Thornfare" after Thornburgh) was established. Eligibility for even this limited program is restricted to four months.

## RHODE ISLAND

### 1. The Political Process

Rhode Island has a part-time legislature which meets 60 days a year. Prior to 1981, there was no legislation relating to block grants. In 1982, the governor vetoed the legislature's attempt to enact legislation giving it approval power over the expenditure of federal funds. Thus, the legislature can review and comment but does not have approval/disapproval authority over funds that come into the state after a budget has been adopted. It does plan to try and gather data about block grant implementation from the various departments and will do some fiscal oversight.

The governor did not appoint a block grant advisory committee.

Rhode Island's income tax is based on a percentage of the federal tax. Since federal personal income taxes were cut last year, the legislature had to raise the percentage from 19% to 22% of federal income tax in order to meet its prior revenue projections. (Corporate taxes were not adjusted, however.) In addition, the sales tax on cigarettes and taxes on oil companies were raised. These funds were used to balance the FY 1982 budget, however, not to make up for lost federal funds in the transition to block grants.

The legislature did reallocate $500,000 from assistance payments into day care to make up for the cutback in Title XX funds and it appears that "state match" has been maintained. Funds (10%) from LIEA were used for weatherization and there was talk of switching LIEA money into the health area but it does not appear that that was actually done.

2. Public Participation

The legislature held public hearings on block grants in April 1982 on health and CS. These hearings were held under the auspices of the Finance Committee. The hearings were based on the state's FY 1982 plans; the plans, however, were not generally available. Persons wishing to review the plans had to go to the Finance Committee Office and read them and take notes there. State officials and state agencies representatives were most influential at these hearings; churches also had some influence. Few others bothered to testify because they felt it was irrelevant -- FY 1982, after all, was nearly over. People wanted to focus on the development of FY 1983 plans.

Unfortunately, the Finance Committee has now decided that the April hearings were the legislature hearings for FY 1983, even though the FY 1983 plans were not discussed!

Energy hearings held in fall 1981 are being cited as the FY 1983 LIEA hearings.

## RHODE ISLAND

The governor did not hold public hearings on block grants, nor did any of the state agencies.

Rhode Island has a fairly active block grant coalition composed of service providers, religious organizations, the Women's Political Caucus and the Fair Budget Committee. (The Fair Budget Committee has received a Field Foundation grant to continue its work through the Coalition on Block Grants and Human Needs.) They did succeed in making the legislature aware that block grants were an issue. They feel a need to look at all human services funding questions and relate the state's responsibility to what religious and charitable organizations are doing. The Coalition wants the state to establish a Human Services Commission to examine these issues.

Moreover, a unity of women's groups, parents and service providers around the day care issue was responsible for winning the reallocation of state money into day care last year.

No new procedures were established for providers or recipient complaints. The Rhode Island Commission on Human Rights has issued a policy statement on block grants and has asked the legislature to set up a procedure for handling block grant complaints.

## RHODE ISLAND

### 3. Block Grant Implementation

There was less service provided in every block grant area last year. In general the cuts were pro rata across-the-board. In SS, however, a $3 million cut was made in day care, homemaker services and 28 state staff were laid off. This had a serious effect last year and may profoundly affect the quality of service in the years ahead. For example, the day care licensing unit is gone so no new day care facilities can be licensed. There is also some indication of patient dumping from the state mental hospitals because of lack of personnel.

Eligibility for SS was also restricted and health centers may raise their fee scale in FY 1983. The waiting list for homemaker services was expanded, maximum hours were reduced and eligibility was restricted.

### 4. Related Programs

Rhode Island did not change its AFDC program although it did establish a workfare program for immigrants. GA is a state/local program (except in Providence) and there were no major changes here either.

Medicaid, however, underwent severe restrictions. Eligibility for the medically-needy was lowered: podiatry, eyeglass and ambulance services were eliminated and orthodonture was limited for the medically needy: a drug co-payment program was proposed but not implemented.

## RHODE ISLAND

For the moment, services for children and public assistance eligible adults have not been touched, but cuts are possible next year.

# SOUTH CAROLINA

## 1. The Political Process

In 1977, the South Carolina legislature set up a Joint Appropriations Legislative Review Committee (JALRC) as an oversight committee on the expenditure of all federal funds. There are six members of the House and six members of the Senate -- appointed by the chair of their respective Finance Committees -- on the JALRC. Responsibility for block grant implementation has been shared by this committee and the governor's office until recently. In August, the South Carolina Supreme Court ruled that the legislature's role in overseeing expenditure of federal funds violates the separation of powers doctrine and is unconstitutional.

In 1982, there was an unsuccessful attempt to pass legislation which would have guaranteed continued funding to CAAs. At the executive level, there was a successful lobbying effort to channel approval of CD applications through regional councils of government.

The legislature did not reallocate funds or raise taxes to make up for the loss of federal funds in the block grant programs; it did not decrease state funds and it did maintain its "state match." No funds were switched from one block grant program to another.

The county governments had some involvement in trying to affect the allocation of CS and CD funds.

## SOUTH CAROLINA

The governor did not establish a block grant advisory committee although he does have advisory committees on some of the individual programs.

### 2. Public Participation

There was no public participation in the FY 1982 block grants. The JALRC is holding public hearings on the programs which require legislative hearings plus SS in August 1982. State plans have been made available at COGs and libraries in advance of these hearings.

The governor did sponsor public hearings on block grants. Four hearings were held on the various health programs. Ten consolidated hearings -- one in each of the regional council of government areas -- were held on the other programs. State officials and the United Way were most influential at these hearings, while local government officials and current service providers were also persuasive.

In addition, the state produced a show for public television on the block grants. After the presentation, citizens could call in their comments and ask questions.

South Carolina does have an active Fair Budget Coalition which concerns itself with block grant issues. It is composed of churches, education groups, legal services, AFL-CIO and anti-hunger organizations. It has primarily been concerned with legislative advocacy on budget issues, workfare and getting the state to establish an evaluation/priority-setting process for the use of block grant funds. The coalition hopes to work on legislation which would establish a block grant advisory committee and set up civil rights complaints procedures next year.

Currently, there are no procedures for handling provider, consumer or civil rights complaints.

## 3. Block Grant Implementation

There was a pro rata reduction in service in each of the block grants except MCH and SS. (A special Title V "children and youth" project serving over 500 children in Greenville County was completely eliminated.) Eligibility was restricted in SS but expanded in MCH. Fees were not an issue and will probably not be imposed in FY 1983. There are now waiting lists for SS -- particularly in child care.

While there was no apparent cut back in quality of services in FY 1982, lay-offs of state staff make such a reduction likely in the future. This will particularly affect child care licensing.

## 4. Related Programs

South Carolina used the state savings generated by the OBRA-AFDC cuts and used them to raise AFDC benefit levels. Because of state revenue, it also eliminated its GA program.

Medicaid services were reduced by limiting prescriptions to three per month, reducing reimbursement rates for physicians and limiting to 12 the number of allowable hospital days.

# SOUTH DAKOTA*

## 1. The Political Process

South Dakota is a state heavily dependent on federal funds. In 1978, it repealed all personal property taxes: it has no state income tax. Thus, its budget is made up of specialty taxes, user fees and federal funds. In 1980, it had to cut its state budget by 5% and impose a "temporary" sales tax to make up for the loss of property tax funds. In 1981, the sales tax was continued and a severence tax on gold was imposed, but a corporate income tax proposal was rejected. For FY 1982, a sizeable portion of the sales tax funds were earmarked for education.

These taxes did help South Dakota end FY 1982 with a $5.3 million surplus. However, no new state funds were used to make up for block grant cuts: almost $1 million was transferred from LIEA to SS.

## 2. The CD/Small Cities Program

South Dakota has divided its CD/Small Cities program into two parts -- a Water and Wastewater Facilities Program and a Set Aside Program. Emphasis is placed on funding water projects which benefit low and moderate income persons and where there is a commitment of local match funds.

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*Little information was available from South Dakota due to the reluctance of state agencies to cooperate with this or any other study. What was available relates to CD/Small Cities.

## SOUTH DAKOTA

In Set Aside, funds will be used to "hold harmless" communities formerly considered entitlement cities and to fulfill prior multi-year commitments. They may also be used to deal with imminent threats to public health and safety which require immediate resolution. An advisory committee to the governor will rank the water program proposals and make recommendations about funding.

### 3. Related Programs

South Dakota implemented the AFDC OBRA changes but made no additional changes of its own. The OBRA changes, however, coupled with the fact that South Dakota does not have an AFDC-U program, have put a terrible strain on the county's GA programs.

The one positive development was that the state decided to put its own money in to cover low-income pregnant women's health care benefits.

# TENNESSEE

## 1. The Political Process

The Tennessee state legislature is not active in the block grant implementation process, although attempts have been made to strengthen its role. A former appropriations act provision that the governor submit plans to the legislature was disapproved by the attorney general. In the 1982-83 appropriation, a proposal rejected by the governor would have required the establishment of an elected commission of three executives, answerable to the legislature, to approve the allocation of federal funds. The appropriations act did, however, contain amendments (1) requiring the General Assembly to approve any changes in the CDBG plan made by the governor before the changes can be implemented; and (2) specifying the administrative departments responsible for the block grant funds. Currently the legislature has no mandatory powers; it can only "embarrass" an agency by holding hearings (which usually requires a legislator's strong recommendation) and suggesting that funds be appropriated differently.

It is unlikely that the legislature will reallocate state funds or increase taxes to replace federal cuts. Matching funds continue to be provided in Title XX, however.

## TENNESSEE

The governor established an Advisory Council on Human Resources, composed of state agency officials, CAP staff members, and others, but no clients or legal services advocates. The committee only studied long-range effects of the block grants and did not address the allocation or targeting of funds. In addition, an advisory committee to the Department of Human Services exists for the Low-Income Energy programs. Until this year, the composition has been largely CAP and utility people. This year legal services advocates have been quite involved. Ten percent of LIEA funds were transferred to MCH.

### 2. Public Participation

The Tennessee legislature held no public hearings on block grants; they were discussed, but there was no advance notice that they would be on the agenda. The governor holds no hearings; he relies on his advisory committee, which does not advise on spending or allocation.

The Office of State Planning held a consolidated hearing on all the block grants. This agency was recently elevated to a position above the Community Services Agency and just below the governor. Publicity, advance notice and information access were poor, and public participation was low. Local agency personnel were the most influential at the hearings, but since they occurred after the allocation, testimony had little impact.

A working group of advocates is developing; the group is composed of legal services, the state hunger coalition, Tennessee Valley Energy Coalition, and the state association of CAP agencies. Members have advocated for fair allocation of LIEA block grant funds. Advocates are also demanding public hearings on the FY 1983 block grants and are calling for public participation requirements under the state Administrative Procedure Act.

### 3. Block Grant Implementation

Service decreases have been observed in all block grants, since there is no state money to replace federal cuts. Social Services' eligibility has been restricted. In LIEA, the state has excluded persons in subsidized housing, placed caps on the per-unit funds available for heating and for cooling, and tightened income eligibility from 125% to 100% of the poverty line, using an annualized test. These eligibility changes have resulted in disproportionate cuts for urban minorities, the elderly and disabled. Advocates have attempted to restore energy assistance for public housing residents and for those just above the poverty line.

## TENNESSEE

To handle 10% CS fund reductions, Tennessee reallocated state funds based on area poverty populations. This probably resulted in lower allocations to rural areas. CAPs in each region determined the distribution of the cuts among services and personnel.

Tennessee's MCH program has emerged nearly unscathed, despite the 25% cuts. The state obtained direct federal funds for a low-income prenatal program ($1.8 million) and allocated its own money for crippled children ($800,000). Fifteen percent of LIEA funds were transferred to MCH. Medicaid now covers some prenatal care and, through EPSDT, dental care. Two federal child and youth demonstration programs were picked up by other programs. Teen counseling services were reduced.

A complaint procedure exists for individual recipients under LIEA. A few fair hearings have been held; many have awarded benefits to recipients.

### 4. Related Programs

Tennessee's standard of need is 49th in the country. There are few AFDC recipients, but benefits levels were actually raised in 1982. The state has no GA program, although some local governments provide limited emergency funds.

The Medicaid program has undergone major cuts. Before OBRA, massive cuts were made in the categorically needy program (largely in the number of hospital days covered) and the medically-needy program was "gutted" by eliminating all but SNF, EPSDT, and some minor services. As a result of OBRA, Medicaid coverage was limited to those with incomes below 150% of the decreased grant level of AFDC; many working-poor families are newly ineligible. In July 1982, further cuts were made in the medically-needy program, eliminating coverage under ABD and for many children and pregnant women, and switching ICF patients to the categorically needy program. This resulted in somewhat better targeting of medically-needy funds. There was also major cash flow difficulty as a result of errors on the part of the fiscal intermediary, and physician reimbursement levels have been frozen.

## TEXAS

### 1. The Political Process

The Texas legislature meets every other year in the odd-numbered years. In 1981, in anticipation of major changes in the federal budgeting process, the legislature attached a rider to the FY 1982 and 1983 appropriations bill relating to the expenditure of federal money. The rider required that 1) all federal monies coming into the state must be expended in accordance with the appropriation bill pattern; 2) the agencies must use the federal funds to reduce the expenditure of federal funds; 3) if federal matching requirements are reduced or eliminated, the state will reduce/eliminate its match appropriation; and 4) the Governor's Planning and Budget Office must submit an annual report to the legislature on the expenditure of federal funds. The rider then specifically addressed the question of what happens if categorical programs are turned into block grants which previously went to separate state agencies; in that case, all monies were to be deposited into a new account. There was no appropriation or expenditure authority for the use of this money unless the voters passed a constitutional amendment to the Texas Constitution establishing a State Finance Management Committee. This they declined to do.

So, in FY 1982, Texas did not take the CS, PHC or CD block grants. The legislation forbids reallocation of funds and the switching of funds between block grants. No other funds were switched into the programs to make up for the loss of federal funds. While state match funds -- at least in SS -- should have been cut as a result of the rider discussed above, this was not done by the agency.

The governor set up two block grant advisory committees. One was composed of the heads of the relevant state agencies and was quite influential. The other is composed of elected county officials and appears to be more advisory in nature.

## 2. Public Participation

For the FY 1982 block grants, the Texas Department of Human Resources held hearings on SS and LIEA. These hearings were dominated by social service providers and had little impact. The hearings were held in the state capitol, were not well publicized and no information was provided in advance of the hearings. An interim committee of the legislature also held block grant oversight hearings.

For FY 1983, the governor sponsored block grant planning hearings. The hearings were consolidated, but statements from the public had to be addressed to separate block grants during separate time periods of the session. Local government officials and current service providers dominated these hearings. The Legislative Budget Board also held hearings in August 1982.

Complaint procedures for providers have been established in SS and MCH. The state administrative procedure act implies a hearing procedure for recipients but this issue has largely been ignored. No civil rights procedures have been established.

A statewide block grant coalition is now being formed with help from a Field Foundation grant through the Coalition on Block Grants and Human Needs. Lack of information and insufficiency of prior notice have been major obstacles to advocacy in the past year. To date, the governor and state agencies have dominated the process.

## 3. Block Grant Implementation

There have been service cut backs in SS, MCH, ADM and LIEA. In MCH and ADM, the cuts were pro rata across-the-board. In SS, cuts were based on inferences of legislative support. Protective services were a high priority: services to the blind and health services to the elderly were a low priority. Day care slots were cut and services to unmarried teen-age parents in danger of abuse or neglect were eliminated. No outreach was conducted for LIEA and this resulted in less participation by the elderly, disabled and rural poor.

## TEXAS

Eligibility was restricted in MCH and LIEA and fees were imposed for the first time or imposed on lower-income people in a number of SS programs. It is likely that co-payments will be required for family planning services in FY 1983.

A cutback in the number of child care licensing staff has already affected the quality of these programs. It is anticipated that larger service areas with fewer resources available will soon affect CS and the health programs.

### 4. Related Programs

There were no changes in AFDC or GA last year. In Medicaid, $1-$2 co-payments for prescription drugs were imposed and a utilization control program for "overusers" has been proposed.

## UTAH

### 1. The Political Process

The Utah legislature has review and comment authority over the expenditure of federal funds but not approval/ disapproval power. It has not enacted any block grant legislation to date: its only involvement has been through the appropriations process.

The counties did present testimony at the appropriations hearings and participated in a CS advisory committee.

The governor designated the existing CSA and CD advisory boards to be Advisory Committee on Block Grant Implementation for those programs. The CS committee is composed of providers and local politicians. They were successful in reaching a consensus among public officials about what should be cut.

Utah reallocated state funds to "overmatch" the old Title XX. When the state ran out of day care funds, $600,000 was switched from LIEA into SS to keep the service continuing.

### 2. Public Participation

To date, the legislature's Social Security Committee has held consolidated hearings -- as part of the appropriations process -- on all the blocks except CD and CS. State and local government officials dominated these hearings: few others participated.

## UTAH

The CD and CS advisory committees held local hearings on the allocation recommendation.

A public hearing was also held in Salt Lake City in June 1982. It was dominated by agency officials and non-profit providers.

No new procedures have been established for addressing provider, recipient or civil rights complaints.

Utah has a Fair Budget Coalition composed of providers, advocates, churches and the League of Women Voters. It has not devoted significant energy to block grant issues, however.

### 3. Block Grant Implementation

In general, there was a pro rata across-the-board reduction in block grant programs. The exception was CS which gave a minimum funding level and then divided the rest of the funds in accordance with the counties percentage of low-income people. There were increased waiting lists for day care until the LIEA fund transfer. There was also a disproportionate decrease in CD funds for low-income housing.

There were no big fee changes in 1982, but the Interdepartmental Committee on Social Services has recommended the implementation of a standardized fee schedule in 1983.

UTAH

The state is doing less monitoring of CS and CD and less provider training in day care. This has begun to affect the quality of service. In addition, in 1983 the state plans to eliminate funding for preventive services and focus on life-threatening services.

4. Related Programs

Utah eliminated its AFDC-U program on July 1, 1981. It raised its AFDC benefit by 4% on September 1, 1982. There were no state changes in Medicaid, or GA.

## VERMONT

### 1. The Political Process

The Vermont legislature has traditionally had approval/disapproval authority over the receipt of federal funds. When the legislature is not in session, a legislative Joint Fiscal Committee is authorized to exercise this power. In 1981, the legislature gave the governor explicit authority to accept federal block grants and authorized him to allocate such funds so long as the Joint Fiscal Committee concurred. (No. 108 Public Acts, 1981 Session.) In addition, under the state APA, the legislature has review authority over regulations for the administration of block grants. Legislation is likely to be enacted next year which will expand the legislature's role in CD and ED.

There are no counties in Vermont. Local governments do exist and have played a role in CD and ED.

The state increased taxes to make up for lost federal revenue last year. The Budget Adjustment Act also allowed agencies to reallocate money within their budgets to ameliorate federal cuts. The governor wanted to switch funds between the block grants (from LIEA to SS), but the legislature vetoed this move.

The governor established a Block Grant Management Team (composed of department heads and administrators) and a Block Grant Audit Committee. They worked on all the block grants and affected the state's decision not to accept PC or CD until 1983. The governor also established an Advisory Committee on Education and an Advisory Committee on Community Development. These bodies were composed of local elected officials and bureaucrats as well as citizen representatives.

## 2. Public Participation

The legislature held a consolidated block grant public hearing in June 1982 in Montpelier. State officials, current service providers and clients were most influential at those hearings.

The governor's advisory committees on ED and CD each held one public hearing in 1982. Two hearings were held, in different parts of the state, on human services in September 1981. These hearings were well publicized and providers and state officials were predominant.

Individual department heads held meetings in their offices which they have called "hearings." These were sparsely attended because no effort was made to publicize them.

A block grant coalition - the Vermont Coalition for Jobs, Peace and Justice -- has been established. It is composed of churches, unions, providers, clients and legal services.

There are mechanisms for handling provider complaints in LIEA but not in the other programs. There are procedures for handling client complaints in SS, LIEA and the health programs, but not in CS. There are state civil rights procedures.

## VERMONT

### 3. Block Grant Implementation

There were no changes in SS as the state replaced lost federal money with general funds. There was a 27% cut in ADMH which resulted in the closing of one residential facility and one halfway house as well as the imposition of fees on lower-income persons. In MCH, one county youth home was closed, fees were imposed for the first time due to a 29% decrease in federal funds. Eligibility was broadened. In PH, hypertension services were cut, although there was a 2% increase in federal funds.

In LIEA, funds were increased by 7% but residents of subsidized housing were made ineligible. In FY 1983, LIEA eligibility will be further restricted by lowering the earned income disregard and capping eligibility to eliminate those with income over 150% of the poverty line.

There was a 44% cut in CS funds.

### 4. Related Programs

There were no major AFDC changes last year. The state established a GA program in 1981. In Medicaid, a limitation was placed on emergency room services and co-payments for drugs were imposed.

## VIRGINIA

### 1. The Political Process

Under the 1981 amendments to the Virginia appropriations act, the governor was required to produce quarterly reports for the legislature summarizing the significant budgetary, policy and administrative impacts of federal fund grants. In this way, the legislature hoped to become more involved in the federal funding process. Despite this legislative desire, Governor Dalton accepted the SS, LIEA, MCH, ADMH and PH block grants as of October 1, 1981, without input from the legislature (or the general public).

When it met in 1982, the Virginia legislature enacted H.B. 466, the Community Action Act which will allow the commonwealth to assume the CS block grant on October 1, 1982. H.B. 466 creates an Office of Community Action under the Secretary of Human Resources, establishes the composition, qualifications and duties of local community action agency boards, sets out a procedure for determining which community action agency shall be funded, and denotes a procedure for defunding.

The counties did not play a large role in block grant implementation. They are most affected by the CD program which the state assumed on July 1, 1982. The state "block granted" some of the CD funds to small counties (less than 200,000 population) and cities (less than 50,000 people).

## VIRGINIA

The legislature did not reallocate funds or raise taxes to make up for the federal budget cuts. It maintained its "match" funds in FY 1982. Approximately $2.1 million was transferred from LIEA to SS.

### 2. Public Participation

Virginia had no public hearings on block grants for FY 1982. Instead, the Dalton Administration conducted two teleconferences on public television where agency representatives spoke briefly and superficially about their particular grants and responded to prescreened questions from interested callers. The teleconferences were poorly advertised, held at inopportune times and public TV is not statewide.

In the Fall of 1981, Virginia elected a new governor, Charles Robb, whose Administration has made efforts to secure public participation in block grants. In March 1982, Robb issued Executive Order No. 5 (82) which created the Governor's Commission on Block Grants. This commission is chaired by the lieutenant governor and currently has 32 members including local government agency heads; business people; local government officials; school representatives; and advocates for the disabled; the Hispanic-American community; mental health, older Americans, health and CAP agencies; the Virginia Committee for a Fair Budget; as well as some private citizens. It is specifically charged with reporting to the governor about 1) the current service delivery system of programs affected by block grants; 2) the financial impact of those block grants already approved; 3) the steps necessary to assume responsibility for block grant programs; 4) the changes needed to eliminate duplication or fragmentation of service in the block grant programs; and 5) the way to ensure sound plans and programs. The Commission is also responsible for working with elected and appointed state officials to make recommendations to Washington regarding the impact of block grants.

In addition, Virginia has an Education Advisory Committee, appointed by Governor Robb, which makes recommendations to the State Board of Education about changes in the local allocation formula for Title II education block grant funds. Finally, the Department of Housing and Community Development established two advisory committees -- one on technical matters and one on policy -- to help devise the CD plan.

Opportunities for direct citizen input have also improved. The Office of the Lieutenant Governor, the Virginia Muncipal League, the Virginia Association of Counties and Virginia Commonwealth University sponsored five workshop policy forums throughout Virginia to obtain input from local governmental officials and organizations. The input from these gatherings which were well attended by local government representatives, helped determine the focus of the Governor's Commission on Block Grants.

Agency hearings for FY 1983 have been held on LIEA, Education, SS, MCH/ADMH and CD. The CD hearing process was especially extensive. From December to July 1982, 11 regional workshops, four public hearings, and six application workshops were held in various locations around the state. The agency also developed a newsletter -- in which its entire CD plan was published -- which regularly goes out to a mailing list of over 1200. (The other hearings were publicized as the law requires and no more. Actual public participation varied.)

The Governor's Block Grant Commission has been developing recommendations in the areas for which it has responsibility. The recommendations will be addressed in seven public hearings throughout the state and final recommendations will be sent to the governor in January 1983. Although its future is unclear, most feel that the Block Grant Commission will start monitoring Virginia's block grant process once the Commission has developed final recommendations.

In addition to staffing the Block Grant Commission, representatives of the Office of Lieutenant Governor meet formally and informally with citizens and organizations to answer their questions about block grant process and implementation in Virginia.

There is no special mechanism for handling provider complaints in ADMH, MCH, or CD. There are procedures in PH, ED, SS and LIEA. For recipients there are no procedures in ED or CS, but there are procedures for ADMH, PH, MCH, SS, LIEA and CD. "Standard EEO assurances" govern civil rights complaints for ADMH, PH, MCH, ED, and CD. For SS and LIEA, there is a Civil Rights Coordinator in the Department of Welfare; procedures for civil rights enforcement in CS are now being developed. The Block Grant Commission has recognized that this is an area which needs attention and will probably recommend new procedures to the governor.

Virginia has an active block grant coalition composed of churches, unions, providers, advocacy groups, clients and legal services. It has focused on improving the public participation process, influencing the appointment of people to the Block Grant Commission and organizing a presentation on block grants for the Virginia Civil Rights Commission. They have also tried to use the media to publicize problems.

## VIRGINIA

### 3. Block Grant Implementation

Virginia received a 20% cut in SS funds for FY 1982. Virginia passes SS funds through to local welfare agencies. The state implemented the cut by reducing local agency funds by 16.5% and absorbing the rest of the loss at the state level. According to the Department of Welfare, localities then cut their services by 14%. The service cuts were not pro rata across-the-board, but were implemented by maintaining state mandated services and cutting optional services. Approximately 300 service positions in local welfare agencies were abolished and there was a cutback in purchased services such as child day care, transportation, and companion and chore services to the elderly. Each locality was given the right to establish its own SS eligibility guidelines (within a range of 10%-50% of the state's median income). Informal feedback indicates that there are now longer waiting lists in some localities, particularly for chore and companion services.

In MCH, in FY 1982, 500 fewer patients were served in the Hospitalization Program, 150 fewer in Child Development Clinics and 4,000 fewer crippled children will be served as the state eliminated routine pediatric and acute care services. This program was cut nearly 30% in 1982.

## VIRGINIA

LIEA actually got a 6% increase in funds for FY 1982. Nonetheless, maximum grants were reduced from $750 to $700, although the average household benefit remained the same ($330).

PH suffered a 14% reduction in funding but the rollover of $900,000 of 1981 funds prevented any significant cutbacks.

CS, CD and ED are only now being implemented. Virginia recently decided not to accept PC.

## 4. Related Programs

There were no changes in AFDC benefit levels or standard of need last year. Virginia has very low benefits and they have not been updated in years. GA is a locally-run program. Some cities/counties have it, others do not. Those that do are currently establishing workfare programs.

Medicaid was extremely hard hit in Virginia last year. Among the changes by July 1, 1982 were: children 18 and over who are not in secondary/vocational school which they will finish by age 19, those categorically needy over 65 who are not institutionalized for mental disease or mental regardation, and non-ADC caretaker relatives are no longer covered. Podiatry services were eliminated as was purchase/repair of eyeglasses unless part of EPSDT. Hospital care, physician visits during a hospital stay, and drug costs have been limited. Copayments have been imposed for clinic visits and prescription drugs for everyone, and for the medically-needy copayments have been imposed for inpatient hospital services, outpatient hospital non-emergency services, and physician/dentist services.

# WASHINGTON

## 1. The Political Process

Washington has been extremely hard hit by the current recession. Consequently, it has suffered not only from cuts in the federal support for human services programs but also from a drastic reduction (20%) in anticipated state revenues. As a result, the state legislature and the governor have spent the last 18 months grappling with a severe fiscal crisis. Block grant-related issues were only a small part of that crisis.

Prior to 1981, the legislature passed no block grant legislation. During 1981, the legislature focused on preparing its biennal budget for July 1, 1981 to June 30, 1983. This budget included elimination of AFDC-U and GA-noncontinuing, reduction in services to the medically needy, restrictions on homemaker services to the elderly, and reduction in state funding for county/community-based programs. No sooner had the state adopted this budget, however, than OBRA made the fiscal assumptions on which it was based obsolete and required that more cuts be made. A special session of the legislature was convened in November 1981, to enact enabling legislation to implement various aspects of OBRA and to make further budget reductions. In order to make up for federal cuts and reduced state revenues, the session enacted a small tax increase and cut $63 million more from the Department of Social and Health Services (DSHS). A second legislative session -- held in the winter of 1982 -- enacted further cuts of $32 million in the DSHS budget. Recently, another special session of the legislature was necessary and an additional $34.5 million in DSHS cuts was approved, ($21.6 million in state funds and $12.9 million in federal matching funds) and taxes were increased. Of the more than $600 million in DSHS cuts in the past 18 months, $70 million (11.7%) were attributable to block grants.

Legislation block granting social services programs to counties was considered in 1982, but not enacted. Legislation block granting CS to the counties was contemplated, but not introduced. In most places, the CAP agencies continue to run the CS program where they have traditionally done so, and counties run it where they have traditionally done so.

The state did decrease the amount of funds going into social services programs generally but maintained state match in SS, ADMH and MCH until the 1982 special session. Funds (10%) were shifted from LIEA to CS and SS.

The governor did not establish a block grant advisory committee.

## WASHINGTON

### 2. Public Participation

The legislature did hold a consolidated hearing on all of the DSHS programs effected by block grants. This hearing was dominated by state agency representatives. The governor did not hold block grant hearings.

DSHS, however, engaged in a substantial public participation process. Taking the position that the huge budget cuts required them to rethink priorities and goals, DSHS decided against pro rata cuts. Instead, they engaged in a process to reexamine programs and their purposes. As part of this process, DSHS has held three sets of public hearings (February 1981, August 1981, July 1982) simultaneously at six different locations around the state. There was a lot of publicity -- through mailings, newspaper ads and letters. Voluminous information was made available for the August 1981 and July 1982 hearings including program descriptions, and possible spending patterns. These hearings were well attended (over 1500 people attended the August 1981 sessions). Written comments were solicited and DSHS personnel also met with providers and advocacy groups. In addition, DSHS has a State Advisory Committee, six Regional Advisory Committees and various advisory bodies for specific programs. All were included in the process and asked for comment.

## WASHINGTON

Washington has an active Fair Budget Coalition which includes block grants among the issues it addresses. It includes providers, church groups, clients, unions, and community groups. They have been successful in keeping people from battling one another and instead focusing on the general need for human services programs. They have also successfully pushed the legislature for tax increases to ameliorate the effect of federal budget cuts and state revenue shortfalls.

There have been no new procedures established for handling block grant complaints from providers or consumers, nor have new civil rights compliance procedures been adopted.

### 3. Block Grant Implementation

There has been a reduction in service in all programs except MCH. (MCH was maintained by cutting other health programs.) Especially hard hit were family support services, foster care and day care for migrant children. Efforts were made to eliminate child care for the non-AFDC working poor and to eliminate family day care home licensing, but those were defeated.

Eligibility was restricted in SS and LIEA and fees have been imposed in SS on lower-income people. A study done by Evergreen Legal Services and a local AoA indicates that this has had a serious impact: people are foregoing food and medical care in order to pay the fees for SS programs. Given Washington's bleak fiscal outlook, however, it is likely the eligibility will be further restricted and fees increased again next year.

Since virtually every kind of administrative review and quality control mechanism has been cut, quality of services will decline. Moreover, promised reimbursement increases for purchased services have been postponed and facility repair/upgrading has been deferred. This will ultimately cause a decline in service quality.

## 4. Related Programs

AFDC benefits were reduced by 4% in late 1980. In February 1981, AFDC-U was eliminated. During that same time, GA-Unemployable benefits were first reduced and then the entire program was eliminated for all but the disabled.

In Medicaid, changes in the medically-needy program resulted in a severe decline in the number of eligibles. Chief among these changes were raising the deductible amount from $200 to $1,000 in 1980 and lowering the standard of need in 1981. The former was reduced back to $500 in 1982.

## WEST VIRGINIA

### 1. The Political Process

The West Virginia legislature meets yearly for 60 days. Prior to 1981, it had passed no block grant legislation but last year the legislature enacted a bill requiring that all federal monies pass through the state treasury and that the governor provide the legislature with a line-by-line itemization of how the money is to be spent. Thus, while the legislature will keep track of how the money is being expended and will hold public hearings, it does not have the power to evaluate or reject the governor's proposed use of the funds.

The counties have not been active in block grants to date, and probably won't be except in CD. The governor established a block grant advisory committee composed of officials of the executive branch. They made the early administrative decisions including the decision to continue all existing programs. They worked on health, social services and education.

The legislature did reallocate state funds to SS to bring the money back to FY 1981 funding levels. Money was transferred from LIEA to SS and weatherization. This will be done again in FY 1983.

## WEST VIRGINIA

### 2. Public Participation

The legislature did not hold public hearings on the FY 1982 block grants. The governor did sponsor a conference in August 1981, for service providers. Members of the public were allowed to attend and a report was issued.

Regional hearings were conducted by the Department of Energy on LIEA and by the Department of Health on the various health block grants. These hearings were not well publicized and information was not available in advance: they were not very effective. The Department of Health will hold additional regional hearings in the fall of 1982, and give information gathered to the legislature for their use in developing their public hearings.

The legislature's interim finance subcommittee held one consolidated block grant hearing for the FY 1983 block grants on August 9, 1982. A press release was given to eight newspapers on August 1st, the state's plans were not available and only 2-3 people were allowed to comment on the state's presentation.

Finally, there is a Human Services Task Force composed of providers and members of the legislature. They are meeting in July and August 1982 to gather statistics and other relevant information on block grants. They are an advisory body to the legislature.

## WEST VIRGINIA

A block grant coalition is just being formed and a major emphasis will be on client participation. They hope to push for more citizen input and regionalized hearings. One vehicle for this may be through West Virginia's Silver-Haired legislature. This mock legislature of senior citizens meets every year and drafts proposals for legislative action by the elected legislature. Their proposals are frequently enacted. In November 1982, they will consider a resolution which calls for targeting services to those in greatest need, maintenance of state effort, a uniform system of data collection and record-keeping, uniform eligibility criteria, and consumers right to notice, hearing and appeal. It would also expand the legislature's Human Services Task Force to include consumers and would establish a consumer-based advisory group for each block grant. Finally, it would require yearly public hearings on a regional basis and forbid the implementation of any plan which received substantial negative comment from those attending the public hearing.

No new procedures have been established for handling provider or recipient complaints or for addressing civil rights concerns. The state's Human Rights Commission will handle civil rights concerns that fall within its jurisdiction.

## WEST VIRGINIA

### 3. Block Grant Implementation

There was less service in every block grant area last year and the cuts were generally pro rata across-the-board. The cuts in family planning and day care hit women disproportionately.

Eligibility was restructed in SS, PH, MCH and LIEA. The LIEA restriction particuarly affected one- and two-person families receiving social security and/or SSI. This will probably be rectified in FY 1983.

Fees were imposed for the first time in MCH with low-income women now paying 25-50% of delivery cost. Fees were raised for some social service programs.

Lay-offs of state personnel will lead to less monitoring and this will begin to affect the quality of service next year.

### 4. Related Programs

An unsuccessful attempt was made to change the AFDC-U program to eliminate spousal eligibility, but otherwise the program remained unchanged. There is no GA program in West Virginia.

In Medicaid, coverage of prescription drugs was limited, hospital stays were restricted and emergency-room coverage was eliminated except for trauma cases. An attempt was made to eliminate coverage of the medically-needy and to increase co-payments.

## WISCONSIN

### 1. The Political Process

In response to OBRA, the Wisconsin legislature passed a bill requiring legislative review and approval of block grant applications. The governor vetoed the approval portion, but a legislative committee is still required to review applications, conduct public hearings, and submit recommendations. Consequently, the legislature has little power. However, the joint finance committee has assisted in setting regulations and guidelines, overseeing the block grants and auditing. Recommendations passed affect, for example, the transfer of unexpended funds to other counties for earmarked services, reports on funding used for administration and services within block grants, coordination of services, and proportion of federal MCH/PH funds allowed for local public health agencies.

Legislation will soon be proposed to give the legislature greater power in the allocation via a legislative advisory committee to the governor. Its fate is uncertain.

Social Services are delivered by county according to a formula combining state and federal money. While the program content is determined by the state government, the guidelines are broad. Four services are mandated: day care, home care, family planning and handicapped transportation services. For the first two, maintenance of effort was required (proportional to the budget cuts). The other two were allocated through the county block grant formula. The rest of the services are optional and depend on the county's decision, although state approval of county plans is required.

For each block grant, there was a pre-planning county committee made up of citizens and county representatives. The counties were fairly successful in reducing the number of mandated services from nine to five.

The legislature has both reallocated state funds and levied new taxes (city tax, wine tax, cigarette tax, certain fees). In this way, Wisconsin increased its revenue base to make up for federal cuts. Funds for health and social services were increased. The legislature attempted to hold the county human service system harmless by adding $21 million to the community aid formula through a combination of small budget readjustments.

The governor's block grant advisory committees were made up of politicians, bureaucrats, providers, advocates and "disinterested citizens" such as a county Junior League president. There were separate committees for SS/ADM, PH/PC/MCH, LIEA, ED and CS. Most committee recommendations were incorporated into the block grant plans, but some crucial ones were not accepted. For example, the LIEA committee recommended a method for notifying people of the program. It also recommended that an entitlement to LIEA funds be established. These two recommendations were not accepted although an administrative set-aside recommendation was accepted.

Funds were transferred from LIEA to SS.

2. Public Participation

The advisory committee mechanism described above can fairly be considered a public participation mechanism in Wisconsin. In addition, the state legislature holds consolidated block grant public hearings, but these occur after plans are set, and the legislature's opinion is only advisory in any event. The governor holds no hearings, although technically, advisory committee meetings are public.

The crucial set of hearings is held by state departments in charge of the programs. Individual hearings are held on each block grant in 4-5 locations. The most influential of the over 500 people to testify last year were county advocates, day care advocates, mental health/ disabled advocates and providers. These groups were significantly effective: note that the four social services still mandatory are the ones well represented at these hearings.

Advance publicity was sufficient only for the later hearings. An HHS mailing list was used. Although departmental information was accessible, it was vague (estimates and projections only); no specific plan had been developed.

## WISCONSIN

The state has not yet planned for FY 1983 block grant hearings. The timing of its legislative session (late January) makes any block grant hearings too late to make much difference.

There have been few problems with the model of department public hearings, however, Wisconsin has strong public meetings and public records statutes. The former provides that "the public is entitled to the fullest and most complete information regarding the affairs of government as is compatible with the conduct of government business." It requires all meetings of all state and local governments to be publicly held in places accessible to the public, and requires adequate advance public notice of all meetings.

Lobbying goes on informally, especially during conferences of counties and the state. The Wisconsin Difference is a strong coalition made up of clients, providers, church groups and others. They have been concentrating on changes in AFDC and Medicaid regulations, earmarking of funds,and maintenance of effort. The coalition has good access to the media, good publicity, and is successful in its lobbying efforts.

### 3. Block Grant Implementation

Decreases in service are most evident in CS and LIEA. SS eligibility changes, service decreases, fees and waiting lists depend upon the county. The state claims that health services have actually increased since the public health department took over responsibility from private contractors, although inflation may take a toll. Disproportionate cuts are evident in some counties which have targeted children's and elderly mental health, which are often no longer included under SS and are being moved to a state assistance program. The "near poor" are likely to be adversely affected by eligibility changes; the eligible population decreases will be measured. However, day care services are being strengthened through increased staff-child ratios.

The state is attempting to maintain its effort to provide quality services. But there have been personnel cuts; the government can no longer monitor all programs but hopes to put teeth into those it does. It is committed to continuing to fulfill its equal protection mandate.

Excellent fair hearing provisions exist for both providers and recipients. There is a two-tier administrative procedure and a private right of court action. No civil rights problems have been identified.

### 4. Related Programs

Wisconsin raised benefit levels 6.5% in 1981 and 6.5% in 1982 (after a three-month delay). Statutorily required GA programs are run by muncipalities. No GA workfare program exists.

WISCONSIN

Medicaid has suffered reductions in coverage of recipients, reductions and eliminations in services, and the imposition of co-payments. The medically-needy program has been eliminated. The categorically needy program has eliminated podiatry and some psychiatry; and extensive fees have been imposed for dentistry and non-prescription drugs.

## WYOMING

### 1. The Political Process

In Wyoming, the block grants have largely been the province of state agencies. The legislature had no involvement in the FY 1982 block grants. Although it will be more active in FY 1983 in determining which agencies will administer the block grants, holding public hearings, establishing allocation formulas and establishing regulations and guidelines. The state did not decrease the amount of state funds previously allocated to program areas included in the block grants nor did it raise taxes or reallocate state funds to make up for the federal cuts. It may do so in 1983, as it has a $100 million budget surplus.

Counties were not generally involved in the block grant process.

The governor did not establish a Block Grant Advisory Committee. A small amount of money was transferred from LIEA into weatherization and $500,000 was transferred from LIEA to SS.

### 2. Public Participation

The only hearing held to date was one sponsored by public officials in Cheyenne in August. It was dominated by public officials and current service providers.

Wyoming does not have an active block grant coalition.

WYOMING

No methods have been established for handling provider or consumer block grant complaints, but civil rights procedures have been set up.

3. Block Grant Implementation

There have been some service cuts in all the block grant programs and these have disproportionately affected rural areas and women. Child care was particularly hard hit: women who had more income than the AFDC grant amount are no longer eligible for child care services.

Otherwise, the impact of block grants has been minimal.

4. Related Programs

Wyoming raised its AFDC standard of need in July 1981, by 15% in order to deal with the new federal AFDC cap on eligibility. Federal changes did result in a drop in the caseload, but recently caseload has begun to increase again, largely due to a rise in unemployment.

GA is a county-run program in Wyoming which serves medical as well as income maintenance needs. There were no major changes last year.

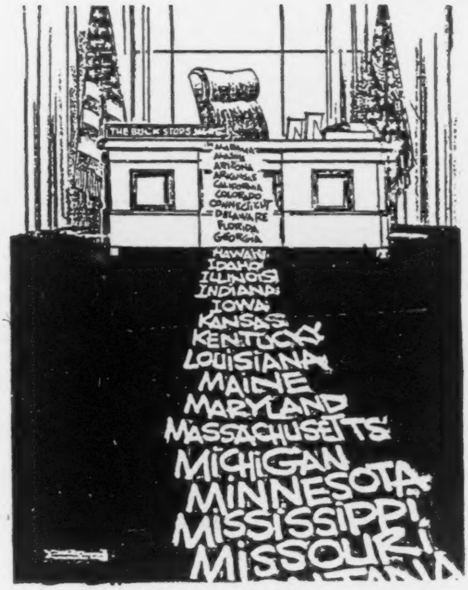
Medicaid is limited to the categorically eligible in Wyoming. There were no major changes in the state program although the AFDC changes occasioned many people to be dropped from Medicaid because they were no longer categorical grant recipients.

# COALITION ON BLOCK GRANTS AND HUMAN NEEDS

## "New Federalism or Old Hoax? Block Grants in FY 1982"

Executive Summary

Paula Roberts
Center for Law and Social Policy


THE BUCK STOPS
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# "NEW FEDERALISM OR OLD HOAX? BLOCK GRANTS IN FY 1982"
## Executive Summary

## SUMMARY

In their first year of operation, block grants were a cruel hoax. Rather than serving as a device to increase local control and to cut federal red tape, they were a mechanism to justify budget cuts and to reduce federal oversight. A survey of the fifty states and the District of Columbia conducted by the Center for Law and Social Policy indicates that FY 1982 brought: (1) sharp cutbacks in critical services such as child day care for low-income working mothers and home health care for the elderly; (2) lack of flexibility to the state planning process; (3) increased conflict between governors and legislators over control of the funds; (4) shockingly poor mechanisms for public participation; and (5) an abrogation of federal responsibility for overseeing how the money was used and for enforcement of civil rights protections.

## BACKGROUND

When he took office, President Reagan made it clear that he intended to effect a profound change in the federal government's role vis-a-vis human services programs. He had two goals: (1) a reduction in the amount of federal funds to be expended on human services programs and (2) turnback of control over those programs to state and local government. Mr. Reagan based these goals on a belief that state and local governments can both be more "flexible" and "responsive to local need" and be more efficient, thus needing fewer funds. He also stated that bringing programs closer to the local level increases accountability.

In 1981, his Administration pursued these goals through the budget process. The President proposed that a number of federal programs be consolidated into block grants and that the funds for these programs be substantially reduced. The Congress rejected some of the consolidations proposals by the Administration, but it did create nine new block grants containing fewer programs; it reduced funding for many of the programs excluded from the new block grants* and for the new block grants themselves. These block grants were contained in the Omnibus Budget Reconciliation Act of 1981 (OBRA). Their main features are summarized in the chart on page 2.

A study of these block grant programs in FY 1982, conducted by the Center for Law and Social Policy (CLASP), reveals that low-income

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*For example, Congress resisted President Reagan's request to put legal services into a block grant, but it did cut program funding from $321 million to $241 million for FY 1982.

| | Social Services 42 USC §1397 | Maternal & Child Health 42 USC §701 | Preventive Health 42 USC §300W | Alcohol & Drug Abuse & Mental Health 42 USC §300X | Community Services 42 USC §9901 | Low-Income Home Energy Assistance 42 USC §8621 | Primary Care 42 USC §300Y | Community Development/ Small Cities 42 USC §5306(d)(1) | Education 20 USC §3811 |
|---|---|---|---|---|---|---|---|---|---|
| Major Programs Contained in Block Grant | .Title XX<br>.Title XX Training | .Maternal & Child Health & Crippled Children's Services<br>.SSI Disabled Children's Services<br>.Sudden Infant Death Syndrome<br>.Adolescent Pregnancy<br>.Genetic Diseases<br>. Hemophilia<br>. Lead-based Paint Poisoning | .Emergency Medical Services<br>.Health Incentive Grant<br>.Hypertension Control<br>. Home Health Services<br>.Fluoridation<br>.Health Education<br>. Rape Prevention<br>. Rodent Control | .Mental Health Services<br>.Alcoholism State Formula Grants<br>.Alcoholism Project Grants<br>.Drug Abuse State Formula Grants<br>.Drug Abuse Project Grants | .Community Action<br>.Senior Opportunities and Services<br>.Community Food and Nutrition<br>.Energy Conservation<br>. Training, Evaluation & Technical Assistance | .Low-Income Energy Assistance | .Community Health Centers | | .Titles II,III, IV,V,VI,VIII, and IX of ESEA of 1965<br>.Alcohol, Drug Abuse Ed. Act<br>.Follow Thru<br>.Career Education<br>.Pre-College Science Training<br>.Higher Education |
| % Fund Reduction from FY 1981 level in FY 1982. | 20% | 24% | 12% | 20% | 34% | + 1% | 25% | +10%* | -10% |
| State Maintenance of Effort Required | No | No | Yes | Yes | No | No | No | No | Yes |
| State Match Required | No | Yes | No | No | No | No | Yes | Yes | No |
| Earliest Date for State Takeover | Oct. 1, 1981 | Oct. 1, 1981 | Oct. 1, 1981 | Oct. 1, 1981 | Oct. 1, 1981 | Oct. 1, 1981 | Oct. 1, 1982 | Feb. 1, 1982 | July 1, 1982 |

*The proportion of overall funds available for small cities rose from 20% to 30%, but the overall funds were reduced

Americans have been hurt as a result of their implementation. Services have been cut, eligibility restricted and fees imposed in such crucial areas as child day care for working-poor mothers, prenatal and child health services to low-income children, and home care to prevent the institutionalization of the elderly.

At the same time as these block grant cuts were being enforced, states were also implementing major cutbacks in federal income maintenance programs: Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid and Supplemental Security Income. These cuts were felt most deeply by working poor, single-parent, female-headed households. For example, changes in earned-income disregards eliminated a number of these households from Food Stamp and AFDC eligibility. Loss of AFDC eligibility triggered a loss of Medicaid. These women were then faced with cuts in, or fees for, block-grant-funded services such as child care or maternal and child health.

In addition to the federal cuts, the survey indicated that eight states cut their AFDC benefits; seven reduced or eliminated General Assistance. In seven states Medicaid eligibility was cut, while 18 others cut services and 12 imposed or increased fees.

The President continues to pursue his goals under the banner of New Federalism. His FY 1984 legislative agenda may include a megablock grant to combine as many as 20 programs; from alcohol abuse treatment to water and sewer grants. And it may include a megablock grant to combine general revenue sharing, community development block grants, airport and urban and mass transportation funding. It thus seems fair to ask how well the block grants contained in OBRA did in achieving flexibility, responsiveness to local need, administrative savings and public accountability. The CIASP study indicates massive failure in each of these areas.

## FLEXIBILITY AND RESPONSIVENESS TO LOCAL NEEDS

States were required to accept Social Services and Low-Income Energy Assistance on October 1, 1981. They could not take Primary Care, Education or Community Development/Small Cities until later in 1982. They were "allowed" to phase the others in over the year as they chose. This choice was more theoretical than real, however. If a state wanted the federal government to administer the program in FY 1982, a substantial administrative fee was imposed. In Community Services, the amount of funds allocated to the state was also reduced if federal administration was continued. Most states, therefore, did choose to accept all the block grants available on October 1, 1981, unless there was some legal impediment to doing so.

Theoretically, states were given a variety of choices within the blocks, such as carrying over FY 1981 funds, transferring funds between blocks and reducing administrative costs. States, however had difficulty exercising these options for a variety of reasons.

First, the state and federal fiscal years were usually not congruent. Most states were operating on a July 1, 1981 to June 1, 1982 fiscal year. They had developed their budgets in January-March, so that the budget would be in place, state plans developed, and contracts entered into by July 1, 1981. OBRA was not enacted until August 13, 1981; it was not effective -- and most regulations were not issued -- until October 1, 1981. Moreover, because many of the programs were being funded under a Continuing Resolution, it was not until December 1981 that actual amount of funds available for expenditure was known. The lack of synchronization of fiscal years and uncertainty about the availability of funds occurred again for fiscal year 1983. It seems likely to be an uncorrectable problem for the immediate future.

In this situation, it was impossible for states to be "flexible" and "responsive to local needs." They were already well into their own fiscal years and had made plans based on the structure and funding of the programs as these had existed during the winter of 1981. Now they had programs in place, but less money than anticipated to run them.

Second, by fall and early winter of 1981, many states were facing severe financial crises. By late winter and early spring of 1982, several more were having to call emergency sessions of their legislatures. The overwhelming preoccupation with states' economic problems made it impossible for them to focus on block grants as an issue, and develop innovative programs. For example, between the winter of 1981 (when it adopted its biennial budget) and summer of 1982, the Washington legislature held three special sessions to address its fiscal crisis. Over these 18 months, $600 million was cut from the Department of Health and Human Services budget. Service cuts -- rather than innovation -- were required in the block grant programs.

Third, in a number of states, governors and legislatures engaged in pitched battle over the use of block grant funds. These arguments were rarely over the substantive use of the money. Rather they concerned who would control its distribution. This politicalization of the fund allocation process had -- and will continue to have -- a profound effect on the block grant programs.

What most states did, then, was to maneuver within their existing budgets and plans. On a budgetary level:

- Seven states (Alabama, Arizona, Michigan, Minnesota, Missouri, New Jersey, and Washington) decreased the amount of state funds which had been budgeted to go into some or all of the programs covered by block grants. Thus, the federal cuts were exacerbated by cuts in state funds for human services. By and large, these were states which had severe financial difficulty last year. Even if they had wanted to do so, they could not have increased state funds.

- No state increased state funds to offset totally the loss of federal funds. A few states did make some effort in social services, however. For example, Florida appropriated $3 million to lessen the impact of a $16.8 million cut in federal Social Services funds; Kansas appropriated an additional $300,000 to cover a $3 million Social Services reduction.

- Twenty-five states transferred money from Low-Income Energy Assistance to Social Services; eight transferred funds from Low-Income Energy Assistance to Maternal and Child Health and four transferred funds from Low-Income Energy Assistance funds to Community Services. This "raid" on Low-Income Energy Assistance funds is ominous since it is the only block grant program solely for low-income people and is underfunded to meet their needs. Thirty-two states had to reduce their Low-Income Energy Assistance benefit levels.

- Most of the increases in state funds and most transfers from other programs occurred for Social Services; states appeared to value this program highly and to find the available funds insufficient.

## SERVICES, FEES, ELIGIBILITY AND CIVIL RIGHTS

States also made some changes in service mix, fees, eligibility, and civil rights.

- Most states opted for across-the-board cuts in most or all the programs. In states that did not, child day care and family planning were the services cut most severely.

- Over one-third of the states restricted eligibility and/or raised fees in Social Services. Five states imposed fees in Alcohol, Drug Abuse and Mental Health Services, and nine imposed them in Maternal and Child Health. Fees are explicitly prohibited by legislation in the Maternal and Child Health program for anyone with income below the poverty line.

- Four states (Pennsylvania, Iowa, Wisconsin, and New York) block granted some or all of their Social Services money to local social services districts or to counties. For example, Pennsylvania established a state Adult Services Block Grant to the counties and funded it, in part, with Social Services funds. Since some counties will provide different services than others, this can cause internal population migrations, as has occurred in Iowa.

- Other states (e.g., Montana) block granted their Community Services funds to counties. Many state legislatures considered legislation to create block grants to counties for Community Services, Maternal and Child Health and Low-Income Energy Assistance. It is likely that some of this legislation will be enacted in 1983.
- Fund reductions also caused the layoff of state personnel and reduction in licensing requirements. For example, a number of states curtailed or eliminated child day care licensing requirements. Deaths in fires and increases in child abuse directly related to those licensing cutbacks have occurred in Maine and Iowa.
- Civil rights procedures are almost totally lacking in the block grant programs. Only Oklahoma (by statute) and Kentucky (by regulation) have directly addressed the issue in a comprehensive way. In New Mexico and Arizona, blatant discrimination against Native Americans appears to have occurred. Some of these problems were aired at the public hearings held by the New Mexico Advisory Committee to the United States Commission on Civil Rights in July 1982.

## PUBLIC PARTICIPATION

Finally, public participation -- which was supposed to make the programs more accountable to people -- was largely overlooked. The Department of Health and Human Services told the states to ignore the public hearing requirements for FY 1982. With few exceptions, the states did so.

Even when hearings were held, their quality was often abysmal. States tended to call almost any meeting between state officials and the public a "hearing." There was little public notice; critical copies of state plans were not available in advance of the hearings; witnesses were limited so that members of the public could not speak; hearings were held in inaccessible places. In addition, few states issued hearing reports or developed mechanisms for incorporating public comment or changing their plan in response to public input. In some instances, the plans had been submitted to the Department of Health and Human Services before public hearings were held.

## ROLE OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)

HHS, the agency administering seven of the nine new block grants, has done little data gathering and almost no oversight It has automatically approved state plans, taking the position that so long as an application for funds is complete, it is approved even if, on the face of it the state has not complied with legal requirements. Its conduct has been so egregious that a federal court recently stopped implementation of the Primary Care Block Grant because HHS had approved illegal applications for funds.

In its report entitled "Early Observations on Block Grant Implementation" GAO expressed concern that "federal agencies have not prescribed standard block grant report forms or uniform data collection requirements," noting that this will make assessment and evaluation of the use of federal funds almost impossible.

In short, for this Administration block grants have meant abandonment of the federal role in ensuring that tax dollars are properly spent. Future block grant proposals should be evaluated with this consideration in mind.

# COALITION ON BLOCK GRANTS AND HUMAN NEEDS

The undersigned organizations are deeply concerned about the effect block grants and budget cuts, enacted at the behest of the Reagan Administration, have had on essential support and services to our nation's people. We are especially concerned about the impact of these policies on our nation's poorest citizens of whom many are women and their children, the elderly and minorities.

We oppose the wholesale abolition of federal support for vital domestic concerns. We believe there should be no further cuts in basic human needs programs, and we reject the "new federalism" proposals that would transfer to states all authority and fiscal responsibility for addressing these needs. We endorse the following four objectives for national government:

- adequate federal funding for human needs and income maintenace programs;
- federal standards to ensure that such funds are targeted to those people with the greatest need;
- federal enforcment of civil rights and other protections for Americans with special circumstances; and
- federal guidelines to ensure that local, state and federal agencies follow open, democratic decisionmaking processes and adhere to basic standards for public accountability including adequate recordkeeping, auditing, and oversight.

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American Association of University Women
American Association of Workers for the Blind
American Council of the Blind
American Federation of the Blind
American Federation of State, County and
  Municipal Employees, (AFSCME)
American Friends Service Committee
American Public Health Association
Americans for Democratic Action
Association of Community Organization
  for Reform (ACORN)
Association for Retarded Citizens
Center for Community Change
Center for Law and Social Policy
Child Welfare League
Children's Defense Fund
Children's Foundation
Civic Action Institute
Coalition for a New Foreign and Military Policy
Coalition for Health Funding
Coalition for Legal Services
Communications Workers of America
Community Nutrition Institute
Consumer Coalition for Health
Consumer Energy Council of America
Council for Exceptional Children
Council of Jewish Federations
Council of the Great City Schools
Deafpride, Inc.
Displaced Homemakers Network
Episcopal Urban Caucus
Family Service Association of America
Food Research and Action Center
Friends Committee on National Legislation
Friends of VISTA

Gray Panthers
Housing Assistance Council
Information Center for Handicapped Individuals, Inc.
Interchange
Interfaith Conference of Metropolitan Washington
Interreligious Emergency Campaign for Economic Justice
Jobs Watch
Lawyers Committee for Civil Rights Under Law
League of Disabled Voters
League of Women Voters of the United States
LULAC
Lutheran Council in the U.S.A., Office of Governmental Affairs
Mexican American Legal Defense and Education Fund
National Association of Community Health Centers
National Association of Social Workers
National Black Child Development Institute
National Board, YWCA of the U.S.A.
National Center for Urban Ethnic Affairs
National Community Action Foundation
National Conference of Catholic Charities
National Congress for Community Economic Development
National Congress of American Indians
National Consumers League
National Council of Churches
National Council of Jewish Women
National Council of LaRaza
National Council of Senior Citizens
National Education Association
National Family Planning and Reproductive Health Assoc.
National Low Income Housing Coalition
National Multiple Sclerosis Society
National Office of Jesuit Social Ministries
National Puerto Rican Coalition
National Rural Housing Coalition

National Society for Children and Adults with Autism
National Treasury Employees Union
National Urban Coalition
National Urban League
National Women's Health Network
National Women's Law Center
Neighborhood Coalition
Office for Governmental Relations, American
  Baptist Churches of the U.S.A.
Older Women's League
Planned Parenthood Federation of America
Rural America
Rural American Women
Rural Coalition
SANE
Service Employees International Union
Union of American Hebrew Congregations
United Auto Workers
United Cerebral Palsy Associations, Inc.
United Church of Christ, Board of Church in Society
United Food and Commercial Workers International Union
United Methodist Church, Board of Church and Society
U.S. Catholic Conference, Office of Social Development
Washington Office, United Presbyterian Church
Wider Opportunities for Women
Women's Equity Action League
The Working Group for Community Development Reform

Among the statewide coalitions that work with the Coalition on Block Grants and Human Needs:

Alabama Congress for Human Services
Connecticut Coalition for Human Services
The Georgia Block Grant Coalition
Kentucky Action for Human Needs
People's Coalition of Missouri
New Hampshire Fair Budget Coalition
New Jersey Fair Budget Coalition
North Carolina Coalition on Block Grants
Pennsylvania Fair Budget Coalition
Rhode Island Committee for a Fair Budget
South Carolina Fair Budget Coalition
Texas Alliance
Utah Fair Budget Coalition
Vermont Coalition for Jobs, Peace and Justice

January 1983

# COALITION ON BLOCK GRANTS AND HUMAN NEEDS

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## What is the Coalition?

The Coalition on Block Grants and Human Needs is an alliance of national non-profit organizations concerned about the effect of the Administration's block grants and budget cuts will have on the provision of essential support and services to our nation's people. Over 100 organizations participate in the Coalition including religious, civil rights, housing, handicapped, health, education and labor groups among others.

## What Does It Do?

Coalition groups have worked at the national level to oppose the withdrawal of federal support for vital domestic concerns, advocating adequate funding levels for human needs and income maintenance programs, and national standards and guidelines for federally funded programs.

The Coalition monitors state administration of the block grants enacted during the Reagan Administration. It has prepared a set of legislative and administrative principles states might adopt to promote open and accountable distribution of block grant funds. It is also preparing a set of questions particular to each block grant that citizens' groups might use to monitor these programs in their states.

## How Does It Reach People Across the Country?

The Coalition works with statewide coalitions across the country as they engage in public education and research on block grants and budget issues. These state coalitions involve the same broad range of national constituencies as the national coalition. It works especially closely with the following states: Alabama, Connecticut, Georgia, Kentucky, Missouri, New Hampshire, New Jersey, North Carolina, Pennsylvania South Carolina, Texas and Vermont.

In addition to these statewide coalitions, groups participating in the national effort distribute Coalition materials through their own national networks. For example, the U.S. Catholic Conference, the National Association of Social Workers, and the Children's Defense Fund are among the diverse national groups that make Coalition materials available to their membership/affiliates.

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# COALITION ON BLOCK GRANTS AND HUMAN NEEDS

## INFORMATION AND ANECDOTES ON THE FY 1982 BLOCK GRANTS

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Block Grant: **Alcohol, Drug Abuse and Mental Health**

Purpose: To plan and administer projects for preventing, treating and rehabilitating alcohol and drug abusers, and to fund services provided by community mental health centers.

Programs Replaced by Block Grants: Among them: three alcohol grants, Drug Abuse Project Grants, Drug Formula Grants, and Mental Health Services.

Funding:

| FY'81 | FY'82 | FY '83 |
|---|---|---|
| $540 million | $432 million | $439 million |

| Change 81-82 | Change 81-83 |
|---|---|
| -20% | -19% |

Federal Agency Responsible: Health and Human Services

Administrative/Funding Changes:

- Earmarks specific percentages for each programs included in the block.
- Previously funded mental health centers must continue to get funds through 1984, with dollars distributed by population.
- Five services are eligible for funding: outpatient services, 24 hour emergency services, day treatment, screening of patients being considered for admission to state hospitals, and consultation and education services.
- The state legislature must hold a hearing on proposed use of the funds before submitting an application.
- The application must certify the funds will not replace state or local funds, and identify populations and areas of the state particularly in need of service.

Impact of Changes:

- Five states (Georgia, Mississippi, North Dakota, New Jersey, Vermont) imposed fees for ADMH services.
- Case loads in Mississippi are up dramatically at mental health centers due to cuts in Title XX programs.

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|---|---|
| Block Grant: | **Community Development — Small Cities** |
| Purpose: | To develop small urban communities by providing decent housing and expanding economic opportunities, especially for poor or middle income persons. |
| Programs Replaced by Block Grant: | Puts states in charge of existing, non-entitlement portion of the Community Development Block Grant. |
| Funding: | FY '81 $926 million<br>FY '82 $1,020 million<br>FY '83 $1,200 million<br>Change '81-82 +10%<br>Change '81-83 +30% |
| Federal Agency Responsible: | Housing and Urban Development |
| Administrative/Funding Changes: | • HUD no longer requires a plan for meeting housing assistance needs.<br>• Application clearance appears to be a formality: states need not get approval for the application, merely submit a statement of proposed activities and projected use of funds.<br>• A public hearing must be held, with comments received and considered in the final statement.<br>• Projected use of funds is supposed to give priority to activities aiding low and moderate income families. |
| Impact of Changes: | • More funds are being used for untargeted community facilities at the expense of housing rehabilitation, which has been cut from 80% to 35% of all expenditures.<br>• Utah is cutting all housing activities in favor of water and sewer projects, after Gov. Matheson decided nothing should be set aside for low income housing. |

- One Ohio locality diverted funds slated for low income housing for a jogging trail, while another put CDBG funds into city hall and fire station "historic preservation."

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Block Grant: **Community Services**

Purpose: To provide a range of services to have an impact on the causes of poverty in communities, provide activities to help the poor with basic necessities, and coordinate services and encourage private sector involvement.

Programs Replaced by Block Grant: 8. Abolished the Community Services Administration and took over most of its categorical programs, such as Community Action, Community Food and Nutrition, Energy Conservation, Rural Housing, and Senior Opportunities.

Funding:

| FY '81 | FY '82 | FY '83 |
|---|---|---|
| $525 million | $348 million | $361 million |

| Change '81-'82 | Change '81-'83 |
|---|---|
| -34% | -31% |

Federal Agency Responsible: Health and Human Services

Administrative/Funding Changes:

- The state legislature is required to hold a hearing on its application for funds, but no public hearings are required on the use of funds. In over half the states no hearings were held.
- At least 90% of CSBG funds in 1982 were to go to community action agencies (CAAs). This grandfather provision was extended in 1983, except in Utah, Wyoming, Nevada and Colorado, where the states may seek a waiver.
- Planning for the delivery of Community Services and determing which agencies are to deliver services, are left up to the discretion of the state. County and city involvement is minimal.

- Up to 5% can be transferred by the state to services under the Older Americans Act, Head Start or energy assistance. To date only a handful of states have done so.
- Little monitoring or evaluation of projects is required.

Impact of Changes:

- Outreach efforts have been greatly reduced, as have the number of administrative staff.
- Funds have been reduced across the board in three-fourths of the states, with no consideration of need. Youth, elderly are hardest hit by cuts. Senior opportunities completely eliminated.
- Rural CAA's were hard hit. The CAA in Appleton, Missouri lost 32% of its funds, resulting in: 3,000 fewer people given fuel assistance, 6,731 fewer elderly receiving hot meals, 2,956 fewer para-medical health services for elderly, 1,696 less rides for the elderly, 776 fewer people enrolled in nutrition programs, and 1,000 fewer in the gardening program. Local needs once set locally are now being set by the state; since Missouri makes jobs a high priority senior citizens who need services and often can't get a job or are unable to work, lose out.
- Very few states are replacing any portion of lost funds.
- Community Services for Native Americans in Arizona were severely restricted; HHS rejected an agreement between the state and tribes to continue funding at previous levels.

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Block Grant: **Elementary and Secondary Education**

Purpose: To assist state and local education agencies for basic skills, educational improvement and support services, and special projects.

**Programs Replaced by Block Grant:**

28. Among them: Teacher Corps ESAA, precollege science teacher training, alcohol and drug abuse education, and teacher centers. Kept separate is Title I of the Elementary and Secondary Education Act which provides support for disadvantaged students.

**Funding:**

| FY '81 | FY '82 | FY '83 |
|---|---|---|
| $536 million | $483 million | $479 million |

| Change '81-'82 | Change '81-'83 |
|---|---|
| -10% | -11% |

**Federal Agency Responsible:**

Education

**Administrative/Funding Changes:**

- School-aged population, instead of need or interest, now determines how funds are divided between states.
- While states must apportion funds more toward "high cost" children, states may define and weigh "high cost" as they see fit.
- Once districts receive funds, however, they are under no obligation to spend them on educating "high cost" students, nor is evaluation of the merits of the spending formula required.
- "Equitable participation" is required of children in private schools. While this is intended to enable local districts to set priorities for their own programs, the fear is that school children in greater need are losing out.

**Impact of Changes:**

- Old special purpose funds in cities are now being used to sponsor general purpose projects throughout the states. Minnesota will get 15% more under block grants, for instance, but Minneapolis loses 55% of its funds.
- Funds are being spent on instructional materials rather than on programs or services. A suburban Maryland school district is spending three-fifths of its $189,000 grant on microcomputers

- while closing four schools where high numbers of poor children have been receiving extra help.

- Urban districts are getting less, and they must share it with private schools. Buffalo, the most extreme case, saw its aid drop 86%, from $7.5 million to $900,000, one third of which must go to private schools.

* * *

| | |
|---|---|
| Block Grant: | **Health Prevention and Services** |
| Purpose: | To provide services to prevent unnecessary injury, illness and death, and to improve the quality of life. |
| Programs Replaced by Block Grant: | 8. Among them: home health services, rodent control, fluoridation, health education, health incentive grants, emergency medical services system, rape crisis services and hypertension. |
| Funding: | FY '81 $93 million<br>FY '82 $82 million<br>FY '83 $86 million<br>Change '81-'82 -12%<br>Change '81-'83 -8% |
| Federal Agency Responsible: | Health and Human Services |
| Administrative/Funding Changes: | • The state legislature is required to hold public hearings on the use and distribution of funds.<br>• States must establish evaluation criteria for reviewing performance of entities receiving grants.<br>• States must agree that block grant funds will supplement, not replace, state and local funds for these programs.<br>• States must make available for public comment a report describing the intended use of the block grant funds. |

| | |
|---|---|
| Block Grant: | **Low Income Home Energy Assistance** |
| Purpose: | To assist low income households in meeting home heating or cooling costs |
| Programs Replaced by Block Grant: | Low-Income Energy Assistance |
| Funding: | FY '81 $1850 million<br>FY '82 $1875 million<br>FY '83 $1975 million<br>Change '81-'83 +1%<br>Change '81-'83 +7% |
| Federal Agency Responsible: | Health and Human Services |
| Funding/Administrative Changes: | • This program is the most stringent of all block grants regarding low income criteria, outreach and limits on administrative costs (10%).<br>• Public participation is required on the proposed use and distribution of funds.<br>• States may use up to 15% of the block grant for weatherization, and they must reserve a reasonable amount for crisis intervention.<br>• States may transfer up to 10% to any other block grant run by HHS. |
| Impact of Changes: | • Benefit levels were reduced in 32 states in FY 82 from FY 81 levels, with 20 states reducing average benefits by over $60. For instance, Oklahoma reduced its average payment from $400 to $123.<br>• Eligibility was reduced by 12 states in the FY '82 program, and only 21 states use the federal statute standard of 150% of poverty.<br>• Nearly two-thirds of all states took advantage of the option to transfer funds from low-income energy to another block grant, chiefly Social Services. With up to 10% transferred to other programs in 1982, funding for energy assistance in most states |

actually decreased. Even when a state increased its own share of assistance, funds did not keep up with rising energy costs; Pennsylvania's benefits, for example, went up 10% yet natural gas prices rose 25%.

- Only about 35% of those eligible under statutory guidelines were served.
- As a result of staff layoffs and little publicity, 214,000 of the 375,000 estimated to be served actually received assistance in Pennsylvania.

* * *

Block Grant: **Maternal and Child Health Services**

Purpose: To assure access to quality maternal and child health services, reduce infant mortality and preventable diseases, and provide services for blind and disabled juveniles.

Programs Replaced by Block Grant: 10. Among them: maternal and child health, sudden infant death syndrome, SSI disabled children's services, adolescent pregnancy, genetic diseases, hemophilia.

Funding

| FY '81 | FY '82 | FY '83 |
|---|---|---|
| $455 million | $348 million | $373 million |

| Change '81-'82 | Change '81-'83 |
|---|---|
| -24% | -18% |

Federal Agency Responsible: Health and Human Services.

Administrative/Funding Changes:

- Congressional intent is for the "states (to) maximize the amount of funding available for the direct delivery of services, and that local health departments receive the same proportion of funding in future years as they have in the past."
- States must submit an annual report to HHS, stating the intended use of the funds.

Impact of Changes:

- All but six states reduced services for pregnant women, and 37 states reduced or eliminated projects or programs offered for children and youths.
- Since only 10% of Montana's counties have health departments, and the state is passing on all decisionmaking on funding to counties, boards of supervisors have a major say on the health of the poor in Montana.
- In Colorado, 26,000 regular clients lost non-hospital acute care, 600 handicapped kids no longer receive services, 2,000 children are no longer enrolled in community nursing programs and 5,700 fewer clients were served in disease control/epidemiology.
- Prenatal services for 200 patients were cut in Idaho and a maximum hospital payment ($400) was imposed for services to high-risk women and children.

Block Grant: **Primary Care**

Purpose: To fund community health centers serving the medically underserved.

Programs Replaced by Block Grant: 2. Covering community health centers

Funding:

| FY '81 | FY '82 | FY '83 |
|---|---|---|
| $327 million | $247 million | $295 million |
| Change '81-'82 | | Change '81-'83 |
| -25% | | -10% |

Federal Agency Responsible: Health and Human Services

Funding, Administrative Changes:

- Matching requirements of 20% in 1982 and 30% in 1983 has helped make this program unpopular with state governments: only Georgia, West Virginia and the Virgin Islands have opted to take the block grant.
- Public hearing and report requirements apply if a state accepted the program, another reason so few states accepted the block grant.

Impact of Changes:

- In December, a federal judge issued an injunction against HHS' expenditure of funds under the Primary Care block grant, finding that the agency had no evidence the states could fulfill their responsibilities to community health centers and their patients. HHS had been reviewing state applications only for completeness not for content. Testimony by the director of a West Virginia community health clinic revealed deep cuts to the clinic in violation of the guaranteed funding provision in the Primary Care BLock Grant. Evidence was also submitted that Georgia's application, which HHS approved, failed to allow public participation, failed to spell out intended use of funds, and tried to use non-state money for its twenty percent match.

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Block Grant: **Social Services**

Purpose: To support a wide range of social services for vulnerable groups, including day care, homemaker services, counseling, family planning, protective services for abused or neglected children, and case management.

Programs Replaced by Block Grant: 3. Covering Title XX Social Services, Day Care Services, and State and Local Training

| FY '81 | FY '82 | FY '83 |
|---|---|---|
| $2991 million | $2400 million | $3450 million |

| Change '81-'82 | Change '81-'83 |
|---|---|
| -20% | -18% |

Federal Agency Responsible: Health and Human Services

Funding, Administrative Changes:

- States are allowed to transfer up to 10% of this grant to either health or low income energy assistance block grants.
- No hearings are required on the state plan, but it must be made public prior to submission.

- The five federal goals under the old Title XX program remain, but there is no longer a required state 25% match.
- Targeting to low income people is no longer required.
- Incentives to provide day care and family planning services were eliminated.
- Day care facilities need only follow state standards, if they exist; federal standards have been eliminated.

Impact of Changes:

- Some states are dispensing Social Services money through county block grants. In Pennsylvania adult social services spending is at the discretion of county commissioners. Larger cities have received much less than they did in the past when the state contracted directly with their service providers.
- Nearly 60,000 fewer clients were served in Alabama by Social Services programs in FY 1982 as in FY 1980.
- Cuts were not made across the board, but mostly in such areas as day care, family planning, outreach and information referral, and health- and unemployment-related services.
- A study by Evergreen Legal Services in Washington state shows families foregoing food and medical care in order to pay Social Services fees.
- Pennsylvania has severely restricted quality day care by imposing a $5 per week fee, tightening eligibility, eliminating licensing standards, reducing monitoring and doing away with guidelines on private agency bids.
- Native American programs were disproportionately cut in some Southwest states.

- Counties determine the use of Social Services funds in Iowa. People are moving from one county to another in order to continue receiving assistance which has been terminated by their local jurisdiction.
- Two children died in Maine in day care centers after the state greatly weakened standards.

ADVISORY
COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D.C. 20575

January 31, 1983

The Honorable Lee H. Hamilton
Congress of the United States
Joint Economic Committee
Washington, DC 20510

Dear Congressman Hamilton:

Thank you for the opportunity to submit written testimony to be included as part of the record from your hearings on the impact of the New Federalism. Although the Commission has a long-standing interest in all of the questions raised in the attachment to your letter, and may well be conducting research on some of them in the near future, I believe the enclosed draft working paper "'First Principles' of American Federalism" would be ACIR's most useful contribution to the Committee at this time. This paper was prepared for the Commission's December 1982 meeting, and will be refined this spring.

The paper tries to provide perspective for the debate over the appropriate role of the federal government in domestic affairs. It does so by identifying eight basic principles inherent in the organization and operation of the American federal system. Based on these principles, a taxonomy of federal, state and local roles is suggested and the conflicting values associated with their application are highlighted. The paper speaks to the Committee's interest in finding criteria for sorting out functional responsibilities, especially for the national government's role in social programs and income security. On page 31 and 32 you will find a summary of the Commission's recommendations in these areas dating back to the late 1960s.

I hope you will find this paper helpful and that you will feel free to call on us if we can be of further assistance.

Sincerely,

S. Kenneth Howard

S. Kenneth Howard
Executive Director

cc: Carl Stenberg

DRAFT

# "FIRST PRINCIPLES" OF AMERICAN FEDERALISM: A WORKING PAPER

December 1982

Advisory Commission on Intergovernmental Relations
Washington, D.C. 20575

## A "New Day" For Federalism

The roles, responsibilities, and relationships of the federal, state, and local governments bear little resemblance to those of just two decades ago. These changes are revealed in many ways, some subtle and some dramatic, including:

-- Steadily increasing (until recently) public sector revenue, expenditure, and employment figures;

-- Extensive intergovernmental sharing of functional responsibilities;

-- Growing intensity of regional competition for people, jobs, and resources between the "frostbelt" and "sunbelt" states, between the energy producer and consumer states, and between states with abundant water supplies and those with inadequate ones;

-- The marked domestic effects of international decisions and events like the oil prices set by the Organization of Petroleum Exporting Countries, the balance of payments, the import levels of Japanese automobiles, and the locational preferences of Vietnamese, Cuban, and Mexican refugees;

-- The declining capacity of political parties to reconcile competing interests through the electoral process and the rising influence of special interest groups, state and local lobbies, and Congressional "entrepreneurs" in national policy-making; and

-- The activism of individual citizens, neighborhood groups, and taxpayers' organizations against high taxes, poor services, and "Big Government" intrusion.

Perhaps the most significant indicator of change, however, is the views of people who serve in public office. In 1967 Terry Sanford, Democratic Governor of North Carolina from 1961 to 1965, made the following observations.[1/]

> The states are indecisive.
>
> The states are antiquated.
>
> The states are timid and ineffective.
>
> The states are not willing to face their problems.
>
> The states are not responsive.
>
> The states are not interested in cities.
>
> These half-dozen charges are true about all of the states some of the time and some of the states all of the time. On the other hand, at points in history, most of these charges have been applicable to both the national and local governments.

At that time, these accusations were frequently made by national and local officials, the media, and academicians.

Thirteen years later, the annual meeting of the National Governors' Association echoed sentiments that were far more aggressive than defensive. As our federal system entered the 1980's, the pendulum had shifted and the federal government had become the focal point of most concern and criticism.[2/]

-- Otis Bowen, Republican of Indiana, said: "It is clear that Washington has changed the terms of the partnership [in ways that] demand a new response from the states, a response that is more aggressive, more independent, more skeptical of federal power."

-- George Busbee, Democrat of Georgia, said: "To me, there is no doubt that the federal umbilical cord is beginning to strangle us... If something isn't done... then I fear that my successors and yours ultimately will be relegated to mere clerks of the federal establishment."

-- Richard Snelling, Republican of Vermont, said: "The federal system has reached a crossroad. The role of the states has been eroded to the point that the authors of the Constitution would not recognize the intergovernmental relationships they crafted so carefully in 1789."

— And Bruce Babbitt, Democrat of Arizona, said "the federal system is in complete disarray. Congress has lost all sense of restraint... The 10th Amendment, reserving powers to the states, is a hollow shell."

These are strong statements, coming from respected and responsible state leaders. In his first State of the Union Message, President Ronald Reagan expressed similar concerns about the growth of the federal government and its impact on the federal system:[3/]

> Our citizens feel they have lost control of even the most basic decisions made about the essential services of government, such as schools, welfare, roads and even garbage collection. They are right.
>
> A maze of interlocking jurisdictions and levels of government confronts average citizens in trying to solve even the simplest of problems. They do not know where to turn for answers, who to hold accountable, who to praise, who to blame, who to vote for or against.

President Reagan shared the assessment by the Advisory Commission on Intergovernmental Relations that, because of the growth in federal programs, "contemporary intergovernmental relations... have became more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable."[4/]

The President's subsequent New Federalism initiative opened another chapter in the debate over the proper balance of power and responsibility between the national and state governments that was launched nearly two centuries ago in the Federalist Papers. For the first time since Franklin D. Roosevelt a national administration went on record in favor of a fundamental realignment of federal responsibilities and resources. Federalism was in the headlines, and a new lexicon of terms such as "sorting out," "turning back," "trading-off," and "swapping" was developed to describe the various techniques and approaches that were proposed.

The President's proposal to swap federal assumption of Medicaid for state take-over of the Aid to Families With Dependent Children (AFDC) and food stamps programs, and to turn back more than 35 federal education, transportation, community development, and social service programs to the states with a federalism trust fund to finance them was greeted with mixed reactions from state and local officials, journalists, and Members of Congress. While there seemed to be a general consensus on the need to reform the federal system, there was little agreement among public officials on specifics. This response was not surprising, since the President's federalism initiative came in the wake of other changes affecting the federal government's domestic role that had a major and unsettling impact on states and localities. These included a significant weakening of the federal government's fiscal position due to major income tax cuts and soaring budget deficits, the Administration's strong desire for greater federal spending to bolster the nation's defense capability, the eliminations of and substantial reductions in federal grants-in-aid in the Omnibus Reconciliation Act of 1981, and the conversion of other categorical programs into block grants with much lower funding levels. In this environment, the President's far reaching proposal generated strong uncertainties about such fundamental issues as "winners and losers," state and local discretion, and the states' capacity and commitment.[5]

By the late summer of 1982 it had become clear that the White House and representatives of state and local governments were too far apart to present a consensus position to Congress prior to adjournment. There was agreement, however, was on the need to distill certain fundamental "first principles" of federalism, that could serve as background and a possible framework for considering the desirability and feasibility of proposals for reforming the federal system when negotiations resumed.

This paper attempts to respond to that need. It is organized in four parts. First, an introductory description of the theory and practice of American federalism is presented. Second, eight principles inherent in the organization and operation of the federal system are identified. Third, a taxonomy of specific sorting out approaches is developed. Fourth, a number of conflicting values associated with the application of these principles and taxonomy are briefly discussed. No attempt will be made here, however, to examine in detail the New Federalism initiative, assess the reactions to it, or analyze the political and economic factors that will affect the future directions of federalism reform.

## Federalism In Theory ... And Practice

The federalist model has been described by Daniel J. Elazar as follows:[6]

> In strictly governmental terms, federalism is a form of political organization that unites separate polities within an overarching political system so that all maintain their fundamental political integrity. It distributes power among general and constituent governments so that they all share in the system's decision-making and executing processes. In a larger sense, federalism represents the linking of free people and their communities through lasting but limited political arrangements to protect certain rights and achieve specific common ends while preserving the respective integrities of participants.

In the American context, federalism is both very simple and very complex. The simplicity of the federal system lies in the formal constitutional division and sharing of powers between the federal and state governments. The legislative, executive, and judicial powers of the national government are delegated in the first three Articles of the Constitution. Congressional functions include providing for the nation's defense, raising armies, conducting foreign relations, regulating interstate commerce, coining money, and other matters that involve a national interest or cross over state boundary lines.

Congress also possesses implied powers derived from the "necessary and proper" clause (Article I, Section 8), which provides for the national legislature to "make all Laws which shall be necessary and proper for carrying into Execution the foregoing powers, and all other powers vested ... in the Government of the United States." Another key provision of the Constitution from the standpoint of federalism is Article VI, Section 2, which establishes the supremacy of the general government: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made ... under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every state shall be bound thereby; any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

In spite of the supremacy clause, the Constitution recognizes that states have substantial, not trivial, powers and responsibilities. The Tenth Amendment states that all powers not granted to the federal government nor denied to the states are reserved to the states or to the people. These responsibilities, by inference or tradition, include public education, law enforcement, and road building. The states also exercise concurrent powers with the national government in a number of areas, including income and excise taxation.

Legally, therefore, the states have a great deal of authority over their own political, fiscal, and administrative affairs, and are protected from unilateral action by the national government. At the same time, procedurally the states' role in drawing congressional district boundaries, conducting national elections, sending representatives to Washington, and amending the Constitution greatly enhances their access to and influence in national policy-making.

This division of authority between the national and state governments is neither simple nor neat. This situation arises partly from the influence of the judiciary, particularly the U.S. Supreme Court. In its interpretations of the "necessary and proper," "supremacy," "commerce," and "spending" clauses of the Constitution, the judiciary has conceded that "... the distribution of powers and functions made in 1789 is not sacrosanct, that Congress can unilaterally change that distribution within the very broad limits of what the Court will accept as appropriate means to enumerated ends."[7/]

On a day-to-day basis, the operation of the federal system is often complex and sometimes confusing. The growth of intergovernmental relations during the 20th century has been characterized by a variety of federal-state, state-local, federal-local, interstate, and interlocal relationships in planning, financing, and implementing public services. Citizens, neighborhoods, non-profit organizations, and private firms also have played important roles in the intergovernmental partnership.

Some of these intergovernmental relationships may be traced to the 19th century, when the national government launched programs to assist the states in education, agriculture, internal improvements, forestry, and welfare.[8/] But the changes that have led to calls for federalism reform are of much more recent vintage.

Following the expansion of the public sector beginning with the New Deal, there was a gradual shift in the balance of power between the national and state governments. Many of the constitutional, political, and judicial barriers to expanding the federal government's domestic activities were weakened or removed. National funds and authority increasingly became a part of functions that had been traditional state or local responsibilities. Federal grants-in-aid and their accompanying regulations became the chief vehicles for this growth in the federal government's influence in domestic affairs.

Federal grants have many laudable and justifiable objectives including: supporting and enhancing on-going state and local operations; stimulating new activities; bolstering personnel, planning, and management capacities; and encouraging research and demonstration efforts. Yet concerns were raised about the efficiency, effectiveness, and equity of the grant system. These concerns stemmed from the massive growth in the number and dollar amounts of federal programs since the early 1960's, the significant expansion in the number of recipients and the heavy dependence of some on federal funds, the burgeoning programmatic and generally applicable national policy requirements attached to grants, and the tendency of Congress to mandate or preempt state and local activities. Moreover, concerns about accountability were raised by the apparent willingness of both the courts and Congress to define "national interest" liberally and to permit the "intergovernmentalization" of most state and local functions.

In light of the above, any effort to rebalance the federal system involves more than merely identifying and redistributing functional roles and fiscal responsibilities, and pinpointing official accountability. Underlying these factors are fundamental values, such as individual freedom, citizenship, governmental restraint, partnership, and democratic decision-making. Identifying certain "first principles" of federalism should provide a useful background for addressing the issues associated with federalism reform.

## "First Principles"

The structure of our federal system and the evolution of intergovernmental relations reveal a number of legal, political, and practical factors that may be considered "first principles." Eight are presented below, together with a brief discussion of their theoretical and practical significance.

It should be noted that this treatment by no means exhausts "first principles" possibilities. Students of federalism and other practitioners of intergovernmental relations might wish to expand, modify, or reorder the eight that are presented in light of their own views and experiences. Hence, at this stage the Commission considers this document a "working paper" that is offered to help stimulate thinking, discussion, and debate among policy-makers on federalism reform.

Principle 1: Diversity is a vital characteristic of American society, and the federal system has sought to achieve unity while accommodating the varying needs and preferences of citizens.

Our federal system features a diverse array of jurisdictions and political cultures. Achieving unity while preserving diversity remains a fundamental challenge.

One of the major areas of debate in the Federalist Papers and among the Founding Fathers had to do with the domestic role of the national government, especially in light of the contents of Article 1, Section 8. A workable arrangement was sought in which the general government did not have to depend on the states for its enumerated functions, such as defense and finance. The states would perform major domestic responsibilities like road building, care of the indigent, and law enforcement. Given the size and diversity of the country, direct federal administration of these functions was considered both unwise and impractical.

Widely ranging citizen attitudes, beliefs, and values concerning politics, the differing preferences for public services, and the dispersion of political power throughout the federal system, are a part of the American political landscape and they present significant opportunities for governmental experimentation in responding to problems. The states, for example, are commonly regarded as "laboratories of democracy;" they are free to try different approaches which, if workable, may be applied elsewhere, even in Washington. If unsuccessful, however, the negative effects can be contained within state borders. On the other hand, if national actions fail, the negative effects might be widespread.

Although functional separation (i.e. "dual federalism") was the dominant pattern of intergovernmental relations until the early 20th century, sharing gradually became the major theme. As Morton Grodzins and Daniel J. Elazar have pointed out, some examples of "cooperative federalism" can be found even before the Constitution was ratified, such as land grants to the states for public education. Inherent in the sharing theme was the assumption that strong, able, and committed governments would work together as "partners" in tackling both national and subnational problems.

The evolution of federal grants-in-aid during the 19th and 20th centuries, particularly since the 1930's and even more so since the 1960's, was accompanied by steady "intergovernmentalization" of domestic responsibilities.[9/] The "national interest" in domestic problems was broadly defined, and the federal government's fiscal and regulatory roles increased significantly. These developments led some observers to believe that Washington was becoming the "senior partner" in the federal system, with states and localities becoming more like administrative subunits than strong co-partners.

Congressional efforts to establish uniform national goals, policies, and requirements sometimes made it difficult to recognize adequately diverse citizen needs and preferences, and differing governmental capacities to respond. Some states fell below national minimum standards in such areas as income maintenance, education, and pollution abatement, while others surpassed them. In other cases, like law enforcement and vocational rehabilitation, the remedial actions called for in national legislation were neither readily compatible with state and local experiences nor adaptable to their organizational structures and personnel.[10/] Similarly, some wondered whether the extent of federal grants supporting the on-going operations of large cities had converted these jurisdictions into fiscal wards of the national government.

In short, contemporary intergovernmental relations require a delicate balancing act. On the one hand, states and local governments strive for sufficient authority, resources, and flexibility to ensure that their services are responsive to citizen problems and priorities, even in an environment of fiscal constraint and program retrenchment by all governments. On the other hand, federal agencies and congressional committees seek adequate assurance that funds provided to states and localities accomplish national purposes as intended, and that national minimum standards or levels of effort are being attained. Balancing discretion and accountability and diversity and uniformity is difficult, especially given congressional, interest group, and federal agency concerns about state capacity and commitment, unrelenting desires for full knowledge of compliance through program regulations and generally applicable national policy requirements, and narrowly specified funding authorizations.

In the final analysis, trust plays a major role in determining how much latitude state and local governments are given in tailoring national programs to their own conditions. To the degree that this factor is present, these jurisdictions can have wide latitude in defining problems, in determining priorities, and in implementing programs, even when national funds are involved.

Principle 2: The authority of each government in a federal system is subject to limits, power is shared widely among strong partners, and decisions are made as a result of negotiations and bargaining.

The American federal system is considered "noncentralized," distributing and sharing powers among national, state, and local governments. Because the constituent units derive their authority directly from their respective constitutions and the people and maintain their own political integrity, the national government presumably cannot unilaterally modify the Constitution, centralize or concentrate political power, or alter the structure or internal operations of the states. Consequently, decision-making in the federal system normally involves consultation and negotiations among multiple governmental units that exercise considerable power within their own spheres and are able to influence the actions of others.

Although these statements may be accurate legal or philosophical interpretations, state and local officials question whether they actually work now in reality. For example, conditions attached to federal grants may significantly alter recipients' personnel and hiring policies, decision-making procedures, and organizational structures. The 1976 National League of Cities v. Usery case, in which the Supreme Count refused to sanction the extension of federal minimum wage and maximum hour provisions to cover most state and local employees, was initially regarded as a landmark decision, which would constrain Congress' ability to use the taxing and spending clause to impose grant conditions on recipients. Subsequent decisions on the application of the Tenth Amendment to grants, however, have varied from this precedent.[11/] Moreover, while the courts have held that grants are voluntary in the sense that recipients do not have to accept federal funds if the conditions are unpalatable, financially hard-pressed jurisdictions do not perceive this as a real option.

Congress also has increasingly turned to mandates and to partial or full pre-emptions to attain national policy objectives. In the case of mandates, states and localities are sometimes not provided sufficient compensatory funds for the added costs. As a result, these jurisdictions may become too fiscally and operationally dependent on the national government.

This state of affairs reflects the gradual erosion of the legal and political constraints the Founding Fathers believed would keep the national government in check and would ensure that responsibilities were well distributed and powers well balanced between the national and state levels. Liberal judicial interpretations of the Constitution, Presidential domestic initiatives, and the strength of "iron triangle" relationships (e.g. Congressional "entrepreneurs" who join with interest group and bureaucratic allies to fashion federal programs responding to problems they consider to be national) have weakened the legal constraints. As will be discussed later, the strength of special issue or functional interest groups, the relative weakness of associations representing generalist state and local officials, the decline of state and national political parties, and the effects of recent congressional "reforms" have contributed to eroding the political constraints.

Principle 3: The national government is responsible for a limited number of essential functions specified in the Constitution.

The delegated powers set forth in Article 1, Section 8 reflect the Founders' desire for a strong but constrained national government. Basically, its powers involve defense and foreign relations, monetary and economic policy, immigration and naturalization, interstate and foreign commerce, and the postal service and postal roads.

In subsequent years, the national government's preeminent role in performing these essential functions has not been seriously challenged. What has been questioned is how much attention can be devoted to them given growing federal involvement in areas once regarded as predominantly state or local. In the view of some observers, Congress has acted too often like a "super city council," willing to consider the most parochical matters as national problems, usually addressing them by creating a new grant program. Constituent and interest group pressures help explain why Members of Congress play this "entreprenurial" role, but it takes a toll. As Governor Bruce Babbitt observed: "The Congress ought to be worried about arms control instead of potholes in the street. We just might have both an increased chance of survival and better streets."[12/]

Principle 4: The national government is responsible for providing for the general welfare as well as sharing with the states in protecting citizens' civil and political rights and liberties.

Since the Depression, judicial interpretations of the general welfare and interstate commerce powers, the Bill of Rights, and the 14th Amendment have steadily expanded the national government's role in striking a balance between unrestrained liberty and restrained liberty to promote equality. This expanded role has several dimensions, including combating inequality of opportunity and poverty and ensuring equality of justice; guarding public lands, natural resources, and the environment; and redistributing income between both jurisdictions and individuals.

Although a number of these responsibilities are shared with the states, the federal government has frequently had to play a directive or preemptive role. Especially in the case of equality of opportunity and justice, federal intervention has come in the wake of the unwillingness or inability of some state and local governments to take adequate steps to protect the civil and political rights of their citizens. In other instances, like environmental matters, the national interest -- the basis for mandates or preemption -- stems from the belief that such problems as pollution transcend state borders and that only the national government possesses the requisite geographic scope and authority to ensure that effective action will be taken. With respect to equity, the federal government's superior revenue raising ability, coupled with its broad geographic reach, enables it to provide income support to the poor, elderly, and infirm, promulgate national minimum standards, and target funds to distressed communities.

Not surprisingly, the national government's financial and regulatory roles in the general welfare area have steadily expanded. Particularly over the past two decades, major new social program and environmental initiatives have been taken, such as Medicaid, the War on Poverty, and a variety of air and water quality programs. Older programs like AFDC, education, and housing experienced significant increases in funding and broadening of eligibility levels. In addition to these developments, this period witnessed greater willingness by Congress and the federal courts to ensure that basic constitutional rights were protected and national social goals were transmitted through regulations attached to grants prohibiting discrimination, promoting affirmative action, and encouraging public participation. Furthermore, local voting systems, boundary changes, and service delivery patterns were subjected to federal scrutiny on equal protection grounds. Hence, although subnational governments share some general welfare and civil and political rights enforcement responsibilities, over the years individuals and jurisdictions alike have increasingly looked to the national government for remedial actions.

Principle 5: The states are political entities with broad powers to undertake a range of major domestic functions that are subnational in scope.

Although a number of governors have contended that the 10th Amendment has been rendered virtually meaningless by Congressional actions and judicial decisions, states still possess a significant amount of power and responsibility. As their record of institutional modernization indicates, most states have made major strides in strengthening the executive, legislative, and judicial branches.[13/] They are stronger and more capable members of the intergovernmental partnership than perhaps has been the case since the Civil War. Despite the contemporary retrenchment conditions, with some exceptions the states have the fiscal capacity to perform their traditional roles in protecting the public health, welfare, and safety, as well as to assume new responsibilities.

Yet the significant reforms that most states have accomplished over the last two decades have been ignored or downplayed by Presidents and Members of Congress. The "intergovernmentalization" of functions during this period has made it increasingly difficult within each state to pinpoint functions in which the federal government does not have a financial or regulatory role. Indeed, many grant programs were enacted with the active support of national representatives of state and local governments.

Growing federal domestic responsibilities have fed longstanding skepticism or distrust of the states' willingness to deal with the problems and guard the rights and liberties of their citizens. The states' may be strong institutionally, it is contended, but it is questionnable whether they have the commitment to exercise their powers fully to raise revenues and provide services, especially to meet the needs of disadvantaged people and hard-pressed communities.[14/] Despite concerns about state sovereignty and the integrity of the states' traditional or integral operations, some policy-makers view continued federal involvement in areas once considered to be basically state or local domains as the only way to ensure that such needs will be adequately met.

A related issue here concerns the relationship between the federal government and large local units. While all local governments are basically the constitutional responsibility of the states, their officials often feel that they should not be precluded from seeking direct assistance from Washington when the state fails to provide them with sufficient resources or authority to deal with their problems. On the other hand, state officials usually argue that federal-local relations should be conducted through state administrative and political channels. The bypassing-channeling debate has been waged since the Depression, and no end is in sight. Federal and local policymakers may rightfully wish to ensure that increasingly scarce grant funds are jurisdictionally targeted and that unwarranted state interference, especially in areas in which there is no indication of prior interest or involvement, is avoided. By failing to adequately distinguish between states that have demonstrated competence and responsiveness and those that have not done so, however, bypassing often creates intergovernmental friction and impedes program coordination.

Principle 6: The political process, especially through the workings of the two major parties, is a significant way to ensure access to decisionmakers, curb factionalism, enhance pluralism, and place constraints on federal involvement.

From the days of the Founding Fathers to the present, concerns have been expressed about narrow political factions gaining undue influence in decision-making. More recently, these concerns have been focused on special interest groups which, together with the bureaucracy and congressional subcommittees, form highly influential "iron triangles."[15/] In theory, political parties are supposed to function both as issue sharpeners and consensus builders. By nominating and electing candidates for office, they afford citizens an opportunity to express a preference and to hold incumbents accountable. Futhermore, electing national office holders on the basis of state and local political boundaries helps ensure that subnational views are taken into account by Congress, and helps curb the influence of functional or special-issue interest groups.

Unfortunately, neither the state political parties nor their national counterpart have adequately performed their basic functions or checked "iron triangle" tendencies. Moreover, the congressional reforms adopted in the early 1970s that altered seniority rules and changes in committee structures and assignments have, in the judgment of some observers, greatly fragmented decision-making among many "fiefdoms," weakened party discipline, and impeded consensus building. Given the significant increases in committee staffing and in the volume of bills that are introduced in Congress, it is no wonder that the concept of "national interest" has been expanded beyond nation-wide concerns to include consideration of virtually any problem or issue, no matter how geographically or jurisdictionally confined, that politically potent groups can get on the Congressional agenda.

Principle 7: Strong constitutional, political, or fiscal barriers to federal intrusion into areas of traditional state-local concern are needed to prevent the fiscal superiority of the national government from destablilizing the balance in the federal system.

Ideally, a federal system should be characterized by strong federal, state, and local partners. In practice, however, there are enormous differences in the ability of governments at the three levels to raise revenue. This disparity in revenue-raising ability can be traced to a fiscal fact of life -- the greater a government's jurisdictional tax reach, the less vulnerable it is to inter-jurisdictional tax competition and the higher it can set its top tax rate.

Income tax rate differentials powerfully underscore the real tax limitations facing the three governmental levels. Because wealthy individuals have fairly high mobility, even if it had the authority to do so a local government would probably not raise its income tax rate on personal income above 5 percent, and no state has pushed its top tax rate above 15 percent. In striking contrast, the top federal income tax rate has been well in excess of 50 percent for most years since the beginning of World War II.

As a result of this inherent tax rate advantage, the national government has dominated use of the progressive personal income tax. This levy has consistently generated more revenue than all state and local income, sales, and property taxes combined.

This remarkable tax performance can be attributed in large part to the fact that collections from a progressive personal income tax automatically grow much faster than does the economy during periods of real economic growth and inflation. For example, for every 10 percent growth in taxpayers' income (be it real or nominal), there is an automatic 16 percent increase in federal income tax receipts. Thus, when the economy is growing in real terms or is driven by inflation, no local property tax or state sales tax levy can be nearly as productive.

This great tax advantage enjoyed by the national government, coupled with a very permissive attitude toward deficit financing and Congress' ability to transfer a large amount of resources from defense to domestic programs, encouraged the explosive growth of the federal categorical aid system during the 1965-1978 period. Moreover, this expansion reflected the virtual collapse of fiscal constraints on federal intrusion into areas of state-local concern following the decline of constitutional and political constraints.

Effective legal barriers to federal aid penetration are nearly nonexistent because the guardian of our constitutional arrangements, the Supreme Court, has found no constitutional objection to the grant-in-aid device and the "carrots and sticks" that accompany it. The political barriers to federal aid expansion dissolved during the post war era and now manifest themselves only during periods of fiscal stringency. In the absence of strict fiscal discipline, the "entrepreneurial" congressmen and special interest lobbyists tend to spawn new federal aid programs and generate powerful support for larger aid outlays. Perhaps even more important than the weakness of political parties is that there no longer seems to exist within the body politic a widespread agreement that certain problems are by their very nature so state and local in character that their solution should be of little or no concern to Washington.

By pushing through a major tax cut while accelerating defense outlays, the Reagan Administration greatly intensified the budget squeeze on domestic programs in general and on federal aid programs in particular. Given the collapse of constitutional and political restraints on federal aid expansion and the critical role now played by the tight federal budget situation, some observers conclude that there are only two basic ways to prevent the fiscal advantage enjoyed by the national government from undermining the integrity of state and local governments: (1) keeping Congress on such a tight fiscal leash (by cutting and indexing federal taxes and forcing a balanced budget) that there will not be sufficient funds to underwrite an expansion of the federal aid system; and (2) requiring Congress (by constitutional amendment, if necessary) to share a substantial fraction of its revenue with states and localities on a no-strings-attached basis, as is customary in other federal systems.

Principle 8: The federal system was created by and operates in a way that is accountable to the people, and provides citizens with opportunities to structure governments and significantly influence their affairs.

The federal system and intergovernmental relations comprise much more than merely structures, processes, functions, and finances. They include the people who confer authority and legitimacy on public officials and governments through the electoral process. Citizens are not just voters, taxpayers, and recipients of services. They are increasingly playing important roles as advisors to government agencies and as providers of key elements in the production of services ("co-producers"). Individual citizens, voluntary associations, neighborhood groups, and the like have expanded the notion of "intergovernmental partnership" well beyond its traditional bounds.

To some observers, this development might make intergovernmental relations more complex and confusing and decision-making more protracted and costly; to others, citizen access and participation are the essence of political life. Moreover, as underscored by California's Proposition 13 and subsequent taxpayer initiatives, citizens can function as "constitution-makers" and as significant change agents when bureaucratic or legislative decisions or nondecisions are unsatisfactory. As Robert Hawkins has observed, "... a self-correcting system of self-governance can only be realized where citizens are actively involved."[16]

## Guidelines for "Sorting Out"

The eight "first principles" that are presented above clearly indicate some of the major legal, political, and practical underpinnings of American federalism. They provide a framework for developing guidelines to help policy-makers decide what ought to be done by each level of government and among them. A possible set of such guidelines is presented below as a taxonomy of major national, state, and local roles and responsibilities.

Developing this classification scheme in no way suggests that a return to "dual federalism" is desirable or feasible and that "sorting out" is the only road to federalism reform. Many governmental functions are very complex and responsibilies for their component activities are shared widely by an array of public, quasi-public, and private organizations. It is unrealistic to assume that one level of government can assume sole responsibility for all aspects of a particular function. For example, law enforcement may be mainly a local function, but its component activities involve intergovernmental and private sector considerations: neighboring jurisidictions may provide police assistance in apprehending offenders who cross city or county borders; a council of governments or regional planning commission may have prepared an areawide plan to improve the criminal justice system; a multicounty jail may institutionalize local offenders; the state may run a police academy, offer joint equipment purchase arrangements to local governments, operate a crime laboratory, and set standards for local jails; the Federal Bureau of Investigation may provide fingerprint identification information; and citizens may engage in neighborhood crime watch efforts. Consequently, the guidelines should be viewed as illustrative and should provide a point of departure for those seeking to apply "first principles" of federalism to the realities of intergovernmental relations.

## "Sorting Out" in Perspective

Although President Reagan's proposal to sort out the roles and responsibilities of the different members of the intergovernmental partnership was unprecedented, his call for federalism reform did not develop in an intellectual or political vacuum. Much of the pioneering theoretical and some of the applied work had already been done by three national intergovernmental bodies -- the Kestnbaum Commission on Intergovernmental Relations (1953-55);[17/] the Joint Federal-State Action Committee (1957-60);[18/] and the Advisory Commission on Intergovernmental Relations;[19/] as well as at least one state agency -- the California Council on Intergovernmental Relations (1970).[20/]

This paper is not the place to analyze or assess these experiences fully. However, as an introduction to the taxonomy, it is useful to review the recommendations of two of these bodies -- the Kestnbaum Commission and ACIR -- because they illustrate how the principles could be applied to a more specific sorting out effort.

Even though its work preceded the explosion of federal grants and regulations by a decade, the Kestnbaum Commission was wary of national involvement in domestic affairs. Emphasizing that "... in the federal system action should be proportionate to need,"[21] the Commission enunciated a set of principles to guide national intervention. Although it recognized that the needs for central information collection and dissemination, technical resources, and financial assistance might warrant some national role in the service and regulatory activities that resided mainly with the states, the Commission viewed federal involvement as being limited. Furthermore, even if subnational units of government were unwilling or unable to act, it recommended that national action would be appropriate only under the following conditions:[22]

> (a) When the National Government is the only agency that can summon the resources needed for an activity. For this reason the Constitution entrusts defense to the National Government. Similarly, primary responsibility for governmental action in maintaining economic stability is given to the National Government because it alone can command the main resources for the task.
>
> (b) When the activity cannot be handled within the geographic and jurisdictional limits of smaller governmental units, including those that could be created by compact. Regulation of radio and television is an extreme example.
>
> (c) When the activity requires a nationwide uniformity of policy that cannot be achieved by interstate action. Sometimes there must be an undeviating standard and hence an exclusively National policy, as in immigration and naturalization, the currency, and foreign relations.

(d) When a State through action or inaction does injury to the people of other States. One of the main purposes of the commerce clause was to eliminate State practices that hindered the flow of goods across State lines. On this ground also, National action is justified to prevent unrestrained exploitation of an essential natural resource.

(e) When States fail to respect or to protect basic political and civil rights that apply throughout the United States.

In 1967, ACIR made its first recommendations regarding the need to reduce substantially the number of categorical grants and to enact general revenue sharing.23/ Two years later, the Commission called for reallocating welfare and education responsibilities, with the national government assuming financial responsibility for the former in return for the states picking up school costs.24/ The Commission's major contribution to the current debate over federalism reform, however, has been its comprehensive analysis of "The Federal Role in the Federal System" that was completed in 1980. Since then, the Commission's diagnosis of the condition of American federalism has been quoted widely, including by President Reagan in his State of the Union address.

Finding that the federal domestic role had become "bigger, broader, and deeper" over the past 20 years, leading to an overloading of the system, the Commission offered a strategy for "decongestion." It recommended serious consideration of the following federal grants-in-aid as candidates for termination or phase-out:25/

(a) the approximately 420 small federal categorical grant programs which account for only 10% of all grant funds;

(b) programs in functional fields in which federal aid amounts to approximately 10% or less of the combined state and local outlays, including federal aid;

(c) programs which do not embody essential and statutorily clearly stated national objectives, or which are too small to address significantly the need to which they relate;

(d) programs, especially small ones, which have high administrative costs relative to the federal financial contribution; and

(e) programs which obtain -- or could obtain -- most of their funding from state and/or local governments, or fees for service, or which could be shifted to the private sector.

At the same time, the Commission reaffirmed its support for federal assumption of full financial responsibility for Aid to Families With Dependent Children, Medicaid, and General Assistance. Further, it urged the national government to move toward assuming full financial responsibility for employment security, housing assistance, medical benefits, and basic nutrition.

## A Taxonomy of Governmental Roles

Drawing from the foregoing discussion, it is possible to suggest some guidelines that should be useful in considering the redistribution of domestic functions in our federal system. These suggestions appear below. It should be noted that the various factors are neither mutually exclusive nor ranked.

The federal government should have major functional and financial responsibility when:

-- a problem transcends state borders and a uniform national response or a nation-wide minimum level of effort is needed;

-- a problem cannot be adequately addressed through interstate action;

-- the protection of citizens' civil and political rights and liberties is involved;

-- there is a need to redistribute income among individuals or equalize the fiscal capacity of state and local governments;

-- the income security of citizens and a minimum standard of living (e.g. AFDC, Medicaid) are involved;

-- there is the distinct likelihood or reality of destructive competition among the states, or of state inaction impeding the resolution of local problems that are of national concern;

-- there is a need for a central source of information and nation-wide knowledge dissemination;

- the costs of dealing with a problem or need are significantly beyond the fiscal capacity of state and local governments or individuals; and
- state and local governments are unwilling or unable to take effective action on matters of national concern.

State governments should have major functional and financial responsibility when:

- a problem transcends the borders of a substantial number of local governments and a state-wide minimum level of effort is needed;
- a problem can be addressed through interstate action; and major interregional inequalities do not come into play;
- there is a need to redistribute income among citizens of the state or to equalize the fiscal capacity of local governments;
- the costs of dealing with a problem are substantially beyond the fiscal capacity of local governments individually or collectively;
- there is the distinct likelihood or reality of destructive competition among local governments;

-- there is a need to experiment with new ideas and approaches to test their workability; and
-- local governments are unwilling or unable to take effective action on matters of state concern.

Local governments should have major functional and financial responsibility when:

-- a problem can be contained within local boundaries or, if not, it can be dealt with effectively through interlocal action or the establishment of special purpose bodies;
-- citizen participation in decision-making and face-to-face contact with policy-makers are strongly desired or necessary for effective action;
-- diverse community standards, preferences, or priorities are desirable;
-- a problem can be handled using local revenues;
-- competition among different service providers is likely to produce beneficial results;
-- volunteers and neighborhood groups can be used as producers or co-producers of services; and
-- the basic land use and zoning powers of local governments are affected.

As an approach to federalism reform, sorting out involves much more than matching the scope of a problem or need with the capacity and willingness of a governmental level to deal with it. While underlying concerns about efficiency, effectiveness, equity, and accountability may give sorting out a "managerial" emphasis, this is not to say that political factors are unimportant. Indeed, sorting out may ultimately entail rebalancing power among the partners in the federal system.

Fundamental values are at stake, therefore, values that may often compete or conflict with rather than complement each other. In addition, the technological complexity of certain functions and their component activities may make sorting out seem a simplistic exercise. Indeed, the systemic complexity of our highly intergovernmentalized contemporary federalism may make such efforts appear futile, especially if they are viewed as being a return to "dual federalism." Adding to these complexities is the fact that sorting out involves not only national, state, and local governmental roles, but also the vital parts the private sector and citizens have to play in domestic policies and programs. Nevertheless, the desirability and feasibility of the sorting out approach need to be carefully considered in light of the limited impact and duration of incremental changes and the obstacles to achieving more fundamental political reforms.

## The Difficult Choices

As a nation, we expect our government, including its federated structure, to fulfill unavoidably conflicting goals. Equity among citizens can be achieved only if the absolute liberty of those same citizens is bridled in some way so the redistribution that equity requires can take place. We favor political accountability, but we also want programs that are efficient and effective. In any federalism reform effort, values will interact and some will be considered more important than others.

It is not surprising, therefore, that proposed sets of "first principles" and guidelines for reallocating functional responsibilities can not be readily applied because of their general nature and because the values underlying them are not totally complementary. For example, political accountability may be enhanced as the locus of decisions on performing functions moves closer to the "grass roots" level. Administrative effectiveness and economic efficiency considerations may, depending on the function or component activity involved, warrant a response at the neighborhood, local, regional, or state levels or some combination of these. And equity factors may be associated with shifts to levels having relatively broad geographic reach and effective revenue raising and redistributive mechanisms. Furthermore, each factor might well be defined differently depending on the position or perspective of the individual. A liberal Member of Congress, for instance, would probably be more inclined to argue political accountability in federal programs should be more nationally centered, while a conservative member might have the opposite orientation. Similarly, proponents of metropolitan government have different conceptions of economic efficiency and program effectiveness than those who favor a more diverse and competitive local political economy.

To sum up, the interplay between "first principles" in theory and practice, sorting out guidelines, and underlying values underscores the inherently complex and controversial nature of reforming federalism through redistributing functions and financial responsibilities. Policy-makers and citizens must make difficult choices between competing and sometimes confusing considerations, without fully knowing the results of their decisions. In the final analysis, common sense, reasonableness, and trust may be the only truly useful guides to these efforts.

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February 3, 1983

The Honorable Lee H. Hamilton
Joint Economic Committee
G 133 Dirksen Senate Office Building
Washington, DC 20510

Dear Congressman Hamilton:

Thank you for inviting us to submit written testimony on the impact of the New Federalism. Enclosed is our statement for the hearing record which we hope is informative and useful for the inquiry by the Joint Economic Committee.

Should you have any further questions or require additional information, please do not hesitate to contact us.

Sincerely,

Scheryl C. Portee

Scheryl C. Portee
Attorney, Civil Division

SCP/aoh

Encl.

The National Legal Aid and Defender Association is the only private, non-profit organization devoting all its resources to the support and development of quality legal assistance to the poor. The Association was organized in 1911, and NLADA membership today includes approximately 2,800 legal services and public defender offices across the United States. NLADA combines the efforts of members of the private bar with those of professional legal services attorneys to provide equal access to justice for the poor. We thank the Jont Economic Committee for the opportunity to express our views on the "New Federalism" and its impact.

## "THE NEW FEDERALISM"

The major developments in public policy by the Reagan Administration have been characterized by a dramatic reversal of economic and social policy prescriptions that have been pursued by the Federal government during the past 40 years. The new policies initiated by this Administration have had profound consequences for the poor. The "New Federalism" is offering the greatest challenge to the underlying assumptions of government since the election of Franklin Roosevelt. For decades the Federal government has recognized the important role it must play in achieving goals. We are now led to believe that decades of social programs are unwise and counterproductive. It is our opinion, though, based upon the unfair impact of the fiscal year 1982 and 1983 budgets, that no further budget cuts should be sustained by taking money from programs for poor, handicapped, children, and the elderly. Nor should considerable time be diverted on a discussion of the new federalism.

While recognizing that this is a time of budget restraints and mounting deficits and citizens are concerned with high taxes and large government deficits, it is essential that every federal dollar be used effectively and that painful budget choices be made on the principle of allocating scarce resources. Therefore, spending decisions must be made in areas of greatest public need. Certainly, those areas should include enabling poor people to sustain minimum standards of living, have access to decent health, housing and education and be afforded the opportunity of employment.

The President's program for economic recovery seeks to cut taxes, reduce inflation, achieve a balanced budget, create millions of new jobs, eradicate waste and fraud and strengthen the military. While taxes have been cut, inflation has slowed from last year and the military has been strengthened, the budget has not been balanced, nor have millions of jobs been created in the private sector. The impact of the program for economic recovery has been to take more from the poor and give more to the rich. The effect on the poor has been devastating. Not only has the economy slid into a recession which impacts more significantly on the poor, but unemployment and poverty have increased.[1] The human resource programs that have historically benefited the poor have been curtailed.

While reducing the budget, the Administration and Congress have actually swelled the ranks of the poor. The passage of the 1983 budget resolution indicated that cuts will continue — even accelerate — as increasingly urgent attempts are made to balance the budget to offset tax cuts, (primarily for upper-income taxpayers) and increase defense spending. The affect on poor people is clear. Even if budget balancing were the only aim of the current and proposed cuts, wholesale elimination of many Federal social programs will be deemed essential.[2]

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[1] An estimated 12 million persons are presently unemployed. Bureau of Labor Statistics, January, 1983.

Today the federal rights and programs for the poor are being reshaped or eliminated. The new national philosophy is encouraging similar adverse change at state and local levels. Reduced resources allocated to state and local governments have resulted in competition for scarce funds and the "zeroing out" of certain programs. New conservative policies are being actualized in a number of areas. Particularly significant are the programs in health, nutrition, housing, education, jobs, community development, income maintenance and similar federally-supported efforts which in the past have served to ameliorate poverty and provide new opportunities for the poor. These programs have been critical to an acceptable quality of life for a significant number of poor people.

The Administration's policies seemingly have shown a strong preference for programs that impose no enforceable restrictions on program managers and vest no rights in program beneficiaries. This is the reason for the block grant preference with few strings attached: they limit Federal involvement. An example of this is the elimination of most Federal enforcement in the area of education and the attempt to eliminate Federal financing of legal services to the poor. In the case of legal services, the fact is that poor people without lawyers essentially have no enforceable rights.

Fortunately, the debate over the continuation of civil legal assistance for poor people has been resolved in favor of the program. When the Reagan Administration took office in 1980, it declared the program's termination one of its objectives. The Administration's strategem was a budget recommendation of zero funding. A strong bipartisan consensus was reached in 1981 and again in 1982, though, that saved the program although it sustained an $80 million cut (25%) reduction in its annual appropriation for fiscal year 1982 and fiscal year 1983. The debate about the future of federally funded legal representation of the poor continues, as does the attempt to limit the types of legal representation available to the poor and the forums in which their attorneys can provide representation. No general concern to cut the budget can justify the significant curtailment of this highly effective program. As Judge Learned Hand so aptly stated, "If we are to keep our democracy, there must be one commandment: Thou shalt not ration justice."[3]

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[2] John Dooley and Alan Houseman, "Legal Services in the 80's and Challenges Facing the Poor;" Clearinghouse Review, p. 709.

A case study of the impact of the "New Federalism" is an in-depth look at the Legal Services Corporation (LSC). At the time that the Legal Services Corporation was established in 1974, Congress determined that a need existed to provide equal access to our nation's system of justice and to provide high quality legal assistance to those otherwise unable to afford adequate legal counsel, enabling poor persons to bring their grievances before judges and others empowered to hear them. This federal attempt to assure equal justice for all has resulted in implementation of a concept, that is, resolution of conflicts within the legal system, a minimum level of access to our system of justice for all members of our society, and protections for the substantive rights the poor have been granted in our society and which legal services programs and lawyers only enforce.

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[3] Learned Hand. "Thou Shalt Not Ration Justice," Address before the Legal Aid Society of New York, reprinted in 9 Legal Aid Briefcase No. 4 at 3,5 (April, 1957).

We believe that the Legal Services Corporation has been a most efficient and effective vehicle of providing lawyers to the poor. Programs are organized, operated, and controlled at the local level and meet the priorities in relation to the relative needs of their communities. Thus, public participation in decision-making has always been an essential element of this program and not a consequence of the "new federalism." The administration of the program, too, has been most cost-effective as compared with other federally funded programs. In 1981, 93.9% of LSC's congressional appropriation was distributed for the direct provision of legal services; a mere 1.5% was used for central management and administration.[4]

Over the past year, NLADA and its allies have had major and well-publicized differences with some members of Congress and with the Reagan Administration over continuation of the Legal Services Corporation and federally funded legal services to the poor. We have asserted and continue to assert that legal services programs deliver essential legal services, usually in the form of individual representation in routine cases involving family, housing, income maintenance, and consumer finance problems. These services are vital to protecting the basic legal rights of the poor; an independent LSC which directly funds locally managed programs provides the most efficient and effective means of delivering necessary legal services to the poor.

Fortunately, the Congress as a whole, along with countless others including bar association leaders, elected officials, civil and human rights advocates, church groups, and the news media have voiced opposition to both the abolition of LSC and the alternative structure suggested for legal services, that of the block grant. Further, the overwhelming support expressed for continuation of this vitally important program has revealed the widespread support of the work being carried out throughout the nation by local programs and the commitment to the concept of justice for all.

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[4] Legal Services Corporation Annual Report, at 19 (1981).

The Legal Services Corporation received a 25% reduction in its appropriation for fiscal year 1982 and received the same appropriation of $241 million for fiscal year 1983. It is important that the members of the Joint Economic Committee focus on what the continuation of funding at the reduced level has meant to the program. The $80 million cut has resulted not only in staff reductions but most importantly, in reduced services to eligible clients by the 326 funded programs in every Congressional district in the nation.

Because of the disparity between the availability of private attorneys for those above the poverty threshold and that availability for individuals at or below the poverty level, the Corporation adopted its policy of minimum access. As defined by the Corporation, minimum access meant two attorneys for every 10,000 persons at or below the poverty line.

Since 1976, the Corporation has made significant progress in establishing minimum access and quality legal services for the nation's estimated 30 million poor. At the end of fiscal year 1980, legal services programs, at a minimum level of funding, had expanded to every area of the country, and expansion was completed. Now the Corporation, at the very moment of completion of minimum access, is no longer able to provide the equivalent of two attorneys for every 10,000 persons at or below the poverty line.

In addition, it has been necessary, as a part of the retrenchment process, to close almost 300 branch offices as a result of the drastic funding cuts. This has had a severe impact on services to eligible clients. It is estimated that perhaps as many as 600,000 fewer cases will be handled due to the office closings and staff reductions. As a consequence of the curtailment of this program, this nation's ability to fulfill its promise of equal justice for all its people has been severely impeded; many needy people have to be turned away as programs restructure priorities, restrict intake of new cases, and necessarily eliminate services within some communities. Certain types of cases are singled out for exclusion simply because there are insufficient resources and staff rather than on the merits of the claims of eligible clients. The overall effect is to deny poor people legal remedies available to others and to restrict the scope of legal representation. Some of those in greatest need of legal assistance and least able to obtain it elsewhere are being deprived of services. This problem is compounded particularly by the major changes made in the laws and regulations which either reshape or eliminate federal rights and programs for the poor. It is ironic that poor people have the most difficulty in obtaining access to our judicial system because of the high cost of representation when their need for legal counsel is most often the greatest in our society. They are powerless to protect themselves because they often lack a clear understanding of the American legal system or their rights within it.

Likewise, the effort by the Administration to put in place a national board of directors of LSC which is hostile to its goals has brought additional instability to the program. The attempts to undercut the program with recess appointees uncommitted to the continuation of the program forced the withdrawal of the nominations due to public outcry and Congresional support,

While we recognize the congressional need to develop anti-inflation efforts and the mounting concern among members to curb growth in federal spending, no general concern to cut the budget can justify the significant curtailment of this low cost and highly efficient program. Our system of law cannot safely tolerate less than the level of access to justice for the poor which is presently provided.

Moreover, an integral part of the "safety net" for the poor is legal-services which we assert must be maintained even as other social programs are eliminated or curtailed. Given these facts, it is our position that the establishment of LSC and the growth of civil legal assistance to the poor is an area of the federal budget which requires funding at levels commensurate with the needs of poor people.

Despite the increases in the budget of LSC over the past few years and recognizing the devastating cut sustained by the program during fiscal year 1982 and 1983, it should be apparent to this Committee and to Congress that this program has been operated on an extremely economical and cost-conscious basis. As the Corporation has amply expressed in its budget request in the past, the demands for legal services are enormous and the obvious costs to the poor in terms of human suffering from the denial of services is evident everywhere. Additional cuts are impossible.

In addition, as a matter of principle, our association opposes any limitations on the representation of eligible clients by staff attorneys. Poor people should have access to legal representation regardless of the nature of their legal problems, and local legal services programs should establish priorities for the allocation of monies to their programs based on local needs. In the past, the appropriations legislation has contained riders which prohibit legal services programs from undertaking any activity on behalf of particular classes of persons. These restrictions are inconsistent with the Corporation's mandate to provide equal access to our system of justice for persons unable to afford an attorney.

Finally, the "new federalism" has encouraged private sector initiatives and volunteerism for the legal servcies program; this has meant increased usage of private attorneys in the delivery of legal services to the poor. In 1981, the LSC Board of Directors issued a directive requiring that legal services programs allocate 10% of their budgets to private attorney involvement in legal services. This had led to some additional resources for legal services to the poor. We support the notion that the private bar can and should be involved in the delivery of legal services to the poor. This can be accomplished through pro bono services and some compensated models at reduced fees. The simple fact remains, however, that even assuming a continued growth of pro bono services by members of the private bar, such services cannot begin to meet even a small fraction of the legal needs of poor. By the same token, many lawyers cannot afford to represent the poor gratis and many others evince little interest in representing the poor. It is therefore wholly unrealistic to expect that the organized bar will "take up the slack" created by the reduction in federally funded legal services. It is, therefore, incumbent upon the federal government to be the primary source of funds for legal services to the poor. State and local governments are unable to meet this need given the competing demands for social services at the local level. In other words, adequate federal funding guaranteeing access by poor people to our legal system is essential and is well within the role of the federal government to ensure that the indigent enjoy citizenship and protection of their rights.

Expansion of legal services to the poor has been accompanied by expectations of the client community — expectations that there is access to our legal system, enforcement of their legal rights, and equal justice under law. While we may not be able to fully meet all these expectations, let us not undercut the concept that justice in this nation is not only for those who can afford to pay.

The impact of the new federalism and concurrent drastic cuts in "social" programs on the nation's poor will never be completely calculated. The grim certainty, though, is that there has been a much heavier demand for legal services as unemployment increases, business failures accelerate, and families lose their homes. These events have dramatically increased the volume of legal problems and legal services eligible client population. With the forced cut backs, many legal problems of clients will continue to go unattended and unresolved.

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Tom Joe, Director

Febraury 3, 1983

The Honorable Lee H. Hamilton
Joint Economic Committee
U.S. Congress
Washington, D.C. 20510

Dear Representative Hamilton:

In response to your request, enclosed is testimony to be included in the record of the Joint Economic Committee's upcoming hearings on the New Federalism.

Sincerely,

Tom Joe
Director

Enclosure

# Impacts of the New Federalism
Testimony submitted to the
Joint Economic Committee by the
Center for the Study of Social Policy,
Washington, D.C.

January 1983

The Center for the Study of Social Policy appreciates the opportunity to submit written testimony for the hearing record on the impact of New Federalism. The sweeping changes made in the nation's domestic human service programs merit serious examination by your committee. While the Economic Recovery Program put forth by this Administration was a conscious strategy to revitalize the economy, it has become clear that the plan is an ineffective one. Meanwhile, the President has repeatedly warned us that there must be sacrifice in these austere times while the economy is being healed. That sacrifice has turned out to be borne almost entirely by the least fortunate members of our society. A failed experiment with supply-side economics has only worsened our national problems. Indeed, the unemployment rate has climbed to a 40-year high, the budget deficit has soared to almost $200 billion, and public assistance for those who need food, shelter, and medical care continues to diminish.

That the President's social and economic strategy has not worked is clearly evident today. Our intent here is less to fault the Administration for this failure as it is to document the need for new policy initiatives to redress the effects of the current disaster. The President seems to lack a contingency plan now that the failures of his initial policies have been recognized. Devoid of such leadership, the Congress must initiate a course of recovery from the rubble left by the policies pursued over the past two years. Such action must be immediate if we are to minimize irreparable harm, yet no quick-fix solutions to the nation's social and economic problems will suffice. Needed are both short-term initiatives to deal with the immediate problems and a longer-term effort to develop a future policy course that is in the best interests of _all_ citizens.

We at the Center for the Study of Social Policy have been involved in a series of analyses of the effects of the current Administration's policies on the poor and the disadvantaged as well as in efforts to develop short and long term strategies to improve the effectiveness of human service programs. It is these analyses and ideas that form the basis for our testimony in the following pages. The focus of our comments is on the programs of last resort--i.e., those that provide assistance to disadvantaged members of society when other means of support are unavailable.

Comments on several of the specific questions in your inquiry follow. The first concerns the degree to which Administration policies have caused hardship for the poor as a necessary sacrifice during "economic recovery".

## I. HAS A "SAFETY-NET" BEEN MAINTAINED TO PROTECT THE "TRULY NEEDY"?

1. While the Administration considers its "safety-net" intact, the real programs which aid the poor have been radically reduced in scope. To answer the question of "safety-net" maintenance, it is first necessary to define the term "safety-net". The concept of the "safety-net" as introduced by President Reagan has been flawed from its inception. First, it attempted to determine who is "needy" by their participation in particular programs. Under this approach, the programs that survive and thus become the "safety-net" are those with the strongest political backing rather than the ones that provide the most protection against complete destitution. Thus programs such as Social Security, Medicare and Veterans benefits, which make up 95 percent of all funds in the "safety-net", but which serve largely people above the poverty line, have been spared the budget knife. But programs that serve only the poor--AFDC, Medicaid and food stamps--were severely cut. Second, defining the "truly needy" by program participation excludes many who are needy--drug addicts, ex-offenders, the working poor, the homeless, the deinstitutionalized mentally ill-- because they are not on the rolls of any government program.

2. Because of the automatic linkages among the primary human service programs that aid the disadvantaged, the cumulative effects of budget cuts in multiple programs have caused particular hardship for many low income individuals and

families. The real "safety-net" is a patchwork design of multiple categorical programs for specific needs. Food stamps will buy only food items, medicaid provides certain health care services, the school lunch program offers free and reduced price meals for students in school, and housing assistance helps pay rent. Because eligibility for these programs is intricately linked, cuts in one have automatic and direct effects on others. For example, a family that has lost its AFDC benefits because of the recent cuts in that program also automatically loses Medicaid coverage unless it can be provided by a "medically needy" program (offered in only 31 states). At the same time other cuts may mean that such a family will receive less low-income energy assistance and be asked to pay a larger portion of its income for rent under public housing. Thus in considering hardship resulting from the President's Economic Recovery Program, it is essential to recognize that poor recipients are feeling the adverse impact of multiple cuts rather than single isolated ones.

3. The ranks of the poor are growing and their disposable incomes are being reduced. The effects of the massive budget cuts on the programs designed to help the poor have been direct and immediate. The poverty rate has risen very sharply in the early 1980s--to 13.0 percent in 1980 and 14.0 in 1981--after having been below 12.0 percent during most of the 1970s. The 1981 rate was the highest since 1967.[1]

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[1] U.S. Department of Commerce, Bureau of the Census, Money Income and Poverty Status of Families and Persons in the United States: 1981, Current Population Reports, Series P-60, No. 134, July 1982.

Wisconsin estimates that the AFDC changes alone will increase the percentage of the AFDC population living below the poverty standard from 82.5 percent to 87.1 percent.[2] The disposable incomes with which poor people must provide for the basic necessities of life have always been meager and are now steadily declining. Even prior to 1981, few states provided a level of AFDC benefits which when combined with federal food stamp coupons equalled the poverty level.

After the AFDC and food stamp cuts made in 1981, the average disposable income of recipients with earnings dropped from 101 percent of poverty to 81 percent. Approximately 12 states provided combined AFDC and food stamp benefits in 1981 that were less than 65 percent of the poverty level, and over half of the states had combined benefits of less than 75 percent of poverty. Moreover, the real value of AFDC benefits has declined over the years due to inflation. According to the Ways and Means Committee, AFDC benefits declined in real terms by 27 percent between 1970 and 1981. Today, a mother with two children and no other income receives an AFDC benefit of less than $250 per month in 16 states. Current recession, make it exceedingly difficult to provide for a family on $250 per month.

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[2] Sheldon Danziger, "Budget Cuts as Welfare Reform," Institute for Research on Poverty, University of Wisconsin-Madison, December 29, 1982.

4. That the poor have suffered disproportionately under this Administration's policies is well documented. At the same time the Administration was cutting social programs, it provided tax cuts which have widened the gap between rich and poor. An Urban Institute analysis shows that while a four-person family whose income is one-half the median income would receive a net increase in disposable income of $263 under the tax cut, the same size family making twice the median income would receive a $2,600 increase in disposable income. Thus the more affluent family with a gross income four times the size of the less affluent family receives a tax break that is ten times as large. Another estimate of the combined effects of the tax cuts and benefit reductions shows that families in the lowest income quintile have their incomes reduced by an average of $70 while the more affluent families with incomes in the second, third, fourth and fifth quintiles have actually increased their incomes by $30, $280, $650, and $2,040 respectively.

5. In addition to families who receive public assistance, there is another group that has suffered considerable hardship from this Administration's policies: the working poor. These are individuals who are stable members of the workforce but nevertheless poor or near-poor. Included in their ranks are persons whose full time wages are insufficient to raise them above the poverty level as well as individuals who because of temporary, part-time or seasonal employment are considered in the poverty ranks. Also included are the

rapidly increasing number of new poor--families in which a wage earner who may have once earned fairly high wages has lost his/her job and faces expiration of unemployment compensation benefits in the approaching months. In addition, 58 percent of the unemployed are not eligible to receive any unemployment compensation benefits.

As unemployment rises, the budget cuts advanced as part of the Administration's Economic Recovery Program have eroded or eliminated the supports that formerly provided some economic protection to these vulnerable families and individuals. Reductions in the scope and level of unemployment compensation, food stamps, Medicaid, and AFDC benefits all serve to undercut the social and financial supports that have prevented poverty among temporarily unemployed workers and workers earning subsistence wages. The Administration's changes in these programs are exposing families to double jeopardy: as their economic vulnerability in the labor market increases, the assistance programs are disappearing. These are programs that were designed over the course of a number of years by both Republican and Democratic Administrations to cushion the shock of economic hard times.

6. _There are serious questions about the basic fairness of several Administration policies regarding welfare recipients_. Even the President's Budget Director has acknowledged these concerns in the much-publicized _Atlantic Monthly_ article. Several examples of cuts will illustrate these concerns:

- The cuts pose a financial discentive to work for AFDC recipients. An analysis by the CSSP showed that in half of the states, working AFDC recipients with average earnings will have less disposable income now than non-working recipients. A mother with two children earning only $150 per month in Mississippi is suddenly ineligible for supplementary AFDC payments because her income places her above the "truly-needy" category. Moreover, for each extra dollar a recipient earns, she loses a minimum of 99 cents in benefits. Thus the new policies, instead of encouraging work effort, discourage work for new applicants and penalize those who want to try to increase their work effort.

- Under the new policies, AFDC benefits are no longer provided during the first six months of pregnancy to women with no other children. This new rule ignores the critical importance of adequate pre-natal care. Yet without such assistance, expectant mothers will not be able to provide adequately for their children. Indeed two states, Michigan and California, have chosen to provide these benefits at state expense because they recognize the importance of the investment from a human as well as an economic standpoint.

- Another new rule reduced AFDC grants for working parents because they are eligible for an Earned Income Tax Credit (EITC) even if the parent never receives such a credit. The new policy assumes the tax credit is received and thereby reduces the AFDC grant each month according to the amount of the credit for which the family is eligible. This rule ignores the fact that few recipients actually receive EITC each month.

- Assistance to help the poor meet the rising costs of heating and other energy costs has not been provided as originally intended in the Windfall Profits Tax Act. Since 1973 fuel and energy prices have risen precipitously and will probably continue to increase. Such external factors as the price decisions of the oil-exporting nations obviously are a major influence, but federal policies are also important. For example, the Administration strongly supports natural gas deregulation, which has already led to rising gas prices. Sixty percent of poor families rely on gas for heat. At the same time appropriations for the Low Income Energy Assistance program fell from $1.85 billion in FY 1981 to $1.75 billion in FY 1982. This level of funding is in direct conflict with the 1980 Windfall Profits Tax Act. The conference report accompanying that act recommended revenue uses that would have led to much higher levels of low-income energy funding--including over $4 billion in FY 1982. For fuel prices to be forced up by one set of policies, while energy aid for the poor is kept down in other policies, seems grossly unfair.

- The 1981 budget cut maternal, child health, and crippled children's services by 30 percent below FY 1981 funding levels. This was accomplished by placing a number of programs in a Maternal and Child Health Block Grant. The Children's Defense Fund estimates that during 1982 these cuts led to the closing of 120 community health centers and loss of services for 1.26 million people. These and other cuts are likely contributors to a recent reversal in ten years of declining infant mortality rates. This alarming trend, particularly evident in cities and states with high unemployment, reflects both rising poverty and reductions in available health services. Data collected by the Food Research and Action Center show rate increases in the following states:[3]

| | Infant deaths per 1,000 live births | | |
|---|---|---|---|
| | 1980 | 1981 | 1982 (provisional) |
| Alabama | 15.1 | 12.9 | 14.8 |
| Alaska | 12.3 | 12.7 | |
| Kansas | 10.1 | 11.0 | |
| Michigan | 12.8 | 13.2 | |
| Missouri | 12.3 | 12.7 | |
| Nevada | 10.9 | 11.3 | |
| Rhode Island | 10.9 | 11.7 | |
| West Virginia | 11.8 | 13.1 | |

Increases between 1980 and 1981 in the infant mortality rate were found for 34 cities and rural areas.

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[3] Food Research and Action Center, "New Trends in Infant Mortality: A Report," January 1983.

- Food programs for children suffered severe cuts in the Budget Reconciliation Act of 1981. School lunch funding fell 30 percent, school breakfasts 20 percent, the child care food program 30 percent, special milk 80 percent, and summer feeding 50 percent. Proposed and not enacted in FY 1983, but likely to be put forward again in the FY 1984 budget was a block grant covering school breakfasts, the summer food program, and the child care food program. The budget for the block grant would result in an additional cut in funds of close to 30 percent. In addition the Administration proposed to cut in 1982 and abolish in 1983 the Women, Infants and Children supplemental food program (WIC). Congress successfully resisted this attempt, but a WIC funding freeze will probably be proposed in the FY 1984 budget.

  These reductions are both unwise and unfair. Feeding needy children and pregnant women is one of the soundest public investments any government can make. Although some of these programs are not directed exclusively to low-income children, all do serve large numbers of such children, many of whom were removed from the programs as a result of the budget cuts. This comes just as food price inflation for middle and upper-class consumers has slowed. The poor also benefit from moderating inflation, _if_ they can afford a full grocery basket in the first place. Many, of course, cannot. Contemplating reductions in such vital programs as WIC fails to recognize that a better diet for needy pregnant women and young children will mean a healthier, more productive citizenry 20 years down the road. One study has shown that each WIC dollar will save $3 in future health-care costs due to fewer low birth-weight and handicapped babies.

- Budget cuts also mean that residents of public housing now pay a larger proportion of their incomes for rent. In addition, funding for subsidized housing, a separate program, has been reduced. The rent increase came in the form of a requirement phased in over five years, that tenants pay 30 percent of their incomes toward rent. The old standard was 25 percent. Tenants previously could deduct certain expenses from their incomes in determining rents, but many of these disregards have now been disallowed. This increase in housing costs for the poor comes at the same time as a general moderation of such costs for the affluent. The middle class and the wealthy, because of a severe recession in the housing industry and the economy as a whole, now find interest rates down, property taxes stabilizing, and cut-rate prices available on both new and older homes.

- The situation in legal services parallels that in food and housing. The spread of legal advertising and store-front law firms means that the average non-poor American can now shop for relatively inexpensive wills, divorces, and other services. Big corporations have been able to cut their legal bills because of the Reagan Administration's strong emphasis on deregulation; less government means less need for lawyers to fight government. But the poor have seen their lawyers, those funded by the Legal Services Corporation, come under an intense attack by the Administration. The President, in both of his first two budgets, proposed total elimination of the Corporation. Congress has refused to adopt this radical course, but funds for LSC were cut 25 percent in FY 1982. Because of this cut, 20 percent of legal services offices around the country were closed and 28 percent of LSC-funded lawyers lost their jobs.

  Even before any of the cuts, legal service programs were inadequately staffed and funded to meet the needs of their client population. Now that situation is much worse, and it is the poor who will suffer most. They will in many instances be unable to challenge policy decisions that are sharply curtailing social programs.

7. Preliminary evidence suggests that considerable hardship exists for the disadvantaged today as a result of the multiple cuts in the nation's entitlement programs.

- The CSSP, as part of a study of the effects of the cuts on AFDC recipients, has found, for example, that thousands of families were terminated from AFDC because their income exceeded the new eligiblity cap of 150 percent of the state need standard. While no one knows systematically what is happening to these people, several interviews with terminated clients show tht some have had to move in with other families because they could not continue their rent payments, some quit their jobs or were laid off and returned to the welfare rolls, and all are struggling to make ends meet. In these few interviews with mothers in the District of Columbia, Virginia, Georgia and California who had been terminated from AFDC or had their benefits reduced, we found examples of children going for two to three days without food at the end of the month, health problems ignored because the mother could not afford a doctor visit (either because of loss of Medicaid or the inability to meet co-payment requirements), heating bills unpaid, and children staying home because they did not have warm clothes. Enforcing the 150 percent cap has also led to considerable administrative confusion.

- In Chicago early in January, an unemployed couple died in their car, apparently from carbon monoxide poisoning. They had been living in the car since being evicted from their apartment several weeks earlier.[4] Ancedotes of such hardships are being heard more frequently. For example, at a riverbank campground near Houston, 150 homeless people are living in tents and shacks. They prepare meals over open fires, subsist on temporary jobs and charitable donations, and send their children to school if the school bus stops on a given day.[5]

- Hunger is also increasing, in part because federal food programs have been cut. According to one report, church-affiliated emergency food distribution centers such as soup kitchens saw a dramatic increase in demand for their services during 1982. Increases in the number of people coming to these centers ranged from 40 to 600 percent, depending on the facility.[6]

- Private hospitals are increasingly refusing services to the poor. Patients who are uninsured and unable to pay for care themselves are being directed to the public hospitals. At Cook County Hospital in Chicago, transfers from private hospitals have risen from approximately 125 to 400 per month since 1981 Medicaid cuts were imposed. Poor expectant mothers now have to pay $250 before they can be admitted to one private hospital in St. Louis.[7] Rejections are also being reported

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[4] New York Times, 7 January 1983.

[5] Washington Post, 18 January 1983.

[6] Elin Schoen, "Once Again, Hunger Troubles America," New York Times Magazine, 2 January 1983.

[7] Washington Post, 29 August 1982.

> for private hospitals in New York City. The problem is particularly acute for the working or near poor who are ineligible for Medicaid, uncovered by health insurance, and unable to afford care out of their own pockets.[8]

In summary, the so-called "safety-net" has not been maintained. The programs providing the main line of defense for the poor, although never adequate in the past, have been drastically reduced. This Administration has shown a clear disregard for the most vulnerable members of our society at a time when economic conditions are making it even more difficult for nearly everyone. The only "safety-net" that exists seems to be one designed to protect the rich from feeling any adversity due to a failing economy.

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[8] New York Times, 30 May 1982.

## II. IS THERE EVIDENCE OF INCREASED ADMINISTRATIVE EFFICIENCY?

1. Because the policy changes enacted in the human service arena were driven by the budget process, little thought was given to the administrative complexity of the new rules. Although there is always tension in the implementation of federal policies because of the inevitable gap between policymaking and practice, this seems to have been acute in the case of the sweeping changes enacted in the past two years. In 1981, the budget reconciliation process was used to allow the President's entire budget to be adopted by Congress with virtually no debate about substantive consequences. The need to reduce entitlement spending was accepted, and the way in which the programs should be reduced received little if any attention from policymakers. Consequently, the administrative problems inherent in policy implementation were ignored.

2. Substantial confusion and increased administrative burdens have resulted from the implementation of certain provisions. Because the policies were enacted with little thought about administrative consequences, already complex programs have become even more confusing to administrators let alone to clients. Several specific provisions have caused considerable confusion, including the following:

- Schools serving free or reduced-price lunches to children now have to document a household's income and its participation in food stamps. This has placed a cumbersome new burden on the local schools and agencies which administer school food programs, many of whom are ill-equipped to handle eligibility matters.

- AFDC recipients must now complete monthly reports to the local welfare office. This has created a new paperwork burden for caseworkers and confusion for clients. Many recipients have lost their eligibility for failing to complete the forms, but the reinstatement rate has been high for such rejections. This simply clogs up the appeals systems and creates additional administrative headaches.

- The 1981 budget bars payments to an AFDC family with over $1,000 in assets. A number of states have declined to enforce this provision vigorously because they lack the administrative resources needed to investigate family assets in detail. As one state official said, "One of the ironies of all the Reagan revisions is that they put more strings on the welfare program, but they don't give use the money to administer all the changes. You have to pony up the money yourself."[9]

- In its FY 1983 budget the Administration proposed that by 1986 states should be penalized financially for any errors made in their administration of AFDC, food stamps, and Medicaid. Congress did not accept this proposal, but it will apparently reappear for at least food stamps in the FY 1984 budget. If passed, this essentially impossible goal would place a severe strain on already overburdened state welfare agencies. Cutting their administrative funds would only make any progress toward a zero error rate even less likely and would thereby create a double-bind for welfare agencies trying to increase their administrative efficiency.

3. Because of the administrative complexity of the new laws, there has been considerable litigation over confusing details and many states were delayed in implementing certain rules. An illustration can be seen in the AFDC program. Many states had to enact special state legislation to allow them to conform to the new federal rules. Others were involved in

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[9] New York Times, 26 January 1982.

litigation that delayed implementation procedures. As a result of these and other factors, the actual dates of implementation were often several months later than the federal government intended. The Department of Health and Human Services issued interim final regulations in August 1981, and while some states began implementation in October 1981, many were forced to delay until January or February 1982. For example, Minnesota enforced the changes in February 1982; California began implementing some provisions in December 1981, but did not begin others until May 1982; and Pennsylvania, while implementing some provisions in November 1981, did not put the stepparent provision into use until September 1982. Several states, including Colorado and Pennsylvania, have had to request a waiver for implementation of the monthly reporting requirements.

Moreover, litigation over state implementation of the new federal AFDC rules both illustrates the confusion surrounding certain provisions and raises the possibility of massive reinstatement of benefits, a development which would create ever greater administrative confusion. Examples include the following:

- There has been much confusion over whether the newly standardized work expense disregard of $75 should be applied to net income--i.e., after deducting mandatory payroll taxes--or whether it should be applied to gross income without deducting taxes. The issue here--definition of income--has led to conflicting judicial opinions. Courts in California and New York ordered the disregard to be applied to net income, causing thousands of cases to have their eligibility restored, but courts in Maine and Pennsylvania decreed that the disregard is to be applied to gross income. Once this issue is resolved nationally, wholesale revisions of the policy in some states will be needed.

- There has been confusion over the question of whether terminated AFDC families can continue to receive Medicaid coverage for four months following AFDC closure. A California state court ruled affirmatively because of the federal mandate to continue Medicaid coverage for four months after AFDC termination due to increased income from employment. However, a court in Indiana rejected the same argument.

The increased administrative complexity brought on by new federal policies is exacerbated by a record surge in applications for public assistance. For example, Arizona is being sued for taking as long as four months to process applications for AFDC and food stamps. The acting Director of the Department of Economic Security cites the record numbers of food stamp and welfare applicants as the cause.

In summary, the new federal policies brought with them increased administrative complexity rather than ease. State and local administrators are now both bearing the brunt of the federal government's inattention to procedural issues and being forced to pick up an increasing share of support for the poor.

## III. IS THERE EVIDENCE OF INCREASED COST SAVINGS?

The answer to this question depends on the use of the word "savings". The changes made under the rubric of New Federalism are not a good way of saving money. They ignore the intergovernmental nature of human service programs, the links between programs, and any notion of long-term investment. Although there have been some savings resulting from the separate budget cuts, actual net reductions will not be as much as was intended because of several reasons discussed below.

1. Many of the "savings" at the federal level are actually a shift in costs to state and local governments. Because of the vertical nature of the categorical human service programs --that is, from the federal government through the states and down to one or more layers of local government--the costs of particular programs are often shared by each jurisdictional level. For example, in matching programs such as AFDC, the federal government pays a portion of the costs of benefits (generally from 50 to 75 percent depending on the per capita income in the state). In California, the federal government pays 50 percent of these costs, the state 45 percent, and the counties 5 percent. Thus a change at one level of government is likely to be reflected at the others. This system allows considerable leeway for shifts in costs among levels of government: specifically, from the federal to state and local governments. This has

indeed occurred in several areas. Examples include the following:

- Poor persons forced out of the Medicaid program must turn to the state and local level if they are to receive any care at all. As discussed above under question one (on maintenance of the safety net), many working low-income people have lost their Medicaid eligibility because of budget cuts and policy changes, but are not covered by private health insurance. They must increasingly be served by already overburdened county and municipal hospitals.

  The Cook County Hospital in Chicago, a public institution sponsored by the county, for instance, has increased its transfers from private hospitals from 125 to 400 patients per month since federal and state Medicaid cuts were imposed.[10] Thus the county is actually picking up many of the costs of the Medicaid cuts. For some localities that cannot afford these increased costs, the state may have to step in or public hospitals will end up turning away the poor. This situation has already occured in Mississippi. Residents in North Mississippi must go to Memphis, Tennessee for health care because there are no public Hospitals in North Mississippi. But the City of Memphis Hospital was forced to adopt a policy barring Mississippi patients who are unable to pay hospital fees or do not have health insurance.[11]

- The 1981 Budget Act allows states to establish workfare programs for AFDC recipients found to be employable. The recipients must accept jobs offered by the welfare agencies or lose their benefits. But the savings achieved due to decreased program participation have generally been less than the cost of implementing and operating such programs. This has been the conclusion of studies of other workfare policies by the General Accounting Office and several states.

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[10] Washington Post "Medicaid Cuts Put Urban, Public Hospitals at the Crunch Point", August 29, 1982

[11] North Mississippi Rural Legal Services, Vol. 6, Number 3, March 1982

- Not a specific part of budget cuts but related to the present Administration's social policy goals is a continuing effort by the Department of Health and Human Services to remove large numbers of people from and not allow new applicants into the federal disability programs. This policy, which actually began in the Carter Administration, consists of changes in the definition of disability and alleged pressure by HHS to have administrative law judges decide against those who appeal benefit denials. A Minnesota federal court ruled in December 1982 that HHS had been illegally disqualifying many mentally disabled people. If these people are truly unable to hold jobs, they will be forced to turn to state and local agencies for support.

The shift in costs from the federal government to state and local governments is taking its toll on recipients of state and local programs. In response to rising state deficits, several states are beginning to cut back and even propose elimination of their General Assistance programs. These programs, which are solely state and/or locally funded, have experienced tremendous growth, due at least partly to cuts in AFDC and disability programs as well as increasing unemployment. For example, in order to help reduce a $60 million state deficit, Kansas has eliminated General Assistance benefits to 4,000 people who are looking for work. Pennsylvania is expected to eliminate 88,000 persons from the General Assistance rolls between January and March 1983. To ensure that these savings are realized, Pennsylvania has made those terminated from General Assistance ineligible for public assistance again for nine months and then for only three months during any 12-month period. These two examples illustrate the desperate situation states are in, one which is at least exacerbated if not partially caused by the shift in costs from the federal government to state and local governments.

2. Savings in one program may be offset by increases in other programs. The projected budget savings in a single program ignore the automatic legal linkages with other human service programs. As costs in one program decline they will rise in another. Although the federal budget cuts in one program may indeed achieve savings, the framers of the entire budget failed to recognize that expenditures in other related human service programs were bound to to increase. Several examples will illustrate this phenomenon:

- Because food stamp benefits are tied to the amount of AFDC one receives, the costs of food stamps rise as the AFDC benefit declines. The Administration failed to take this fact into account when projecting its initial budget savings from the AFDC cuts.
- A family that loses its Medicaid because it has lost AFDC will have to turn to a county or city hospital, thereby increasing costs to that locality.
- Finally, many AFDC families turn to a General Assistance program which provides cash support to the indigent. Most General Assistance programs are sponsored by local governments, although some get state aid. In New York, the number of families transferring from AFDC to G.A. rose by 65 percent between November 1981 (when the state began implementing OBRA) and April 1982. In these cases, as in those related to health care, there are no real "savings", only a shift in costs from the federal government to the states and counties.

3. Because of discretion available at the state and local level in regard to many of the entitlement programs, state and local officials took actions which counteracted the effects of the federal cuts.

- When the federal government imposed a new AFDC eligibility ceiling set at 150 percent of the state need standard, many states realized they could offset this provision by raising their need standards, which remain a state responsibility by law. While this action would not increase payments to recipients, it would assure that recipients can earn higher wages and still qualify for AFDC. This would negate the federal intention of reducing eligibility for working recipients. Ten states took this action deliberately to avoid having thousands of earners terminated, and to prevent increased future payments to recipients who would quit their jobs and return to AFDC at a higher grant level after being terminated due to the 150 percent cap. Another 13 states raised their need standards as a routine adjustment. As a result, 23 states did not achieve all of the cost savings originally intended by the federal budget cutters.

- Two states modified the manner in which they calculate AFDC benefits in order to avoid reducing payments to recipients with earnings. Utah and Maine have recently altered their beneift calculation formula for earners by substituting a higher need standard as the maximum payment for a lower payment standard previously used. This action increases in those states both the number of working families eligible for AFDC and the amount of benefits paid to the working poor. Acting in direct response to the new federal rules that reduce benefits to this group, both states operated on the theory that spending the relatively small amount of money needed to sustain the working poor is preferable to paying them higher grants if they quit work and return to AFDC.

- At least two states chose to continue AFDC coverage, at state expense for pregnant women in the first six months of pregnancy. Thus in Michigan and California the costs were merely shifted to the state. In Michigan, the increased state costs totaled $2.4 million for this one provision.

4. In the long run, many of these budget cuts will cost more money because of a systematic failure to invest in human capital. Two examples will illustrate this danger.

- Cutting programs in child nutrition, maternal and child health, education, and other vitally important services means that two, three, or four decades into the future--indeed, for the foreseeable future--society will be faced with increased costs for welfare dependency, criminal justice, unemployment, disability, ill health, and other problems. Prevention today is surely less expensive than correction tomorrow. As columnist George F. Will wrote recently about the WIC program, "Breaking the poverty cycle and enhancing equality of opportunity require recognizing that by [the age of] five many children have suffered irreparable diminishment of intelligence and social competence.... It is cheaper to feed the child than jail the man. Persons who do not understand that are not conservative, just dim."[12]

- Because the target of the AFDC cuts was the working poor, much of the intended savings will be offset by the recipients who return to the rolls at higher grant levels. A hypothetical example will illustrate this scenario. If a working mother who receives $200 in AFDC because her earnings are $175 is terminated due to the new policies, she is likely to find that she cannot support her family on only $175 per month. She may be forced to quit her job and return to the welfare rolls where she will receive $300 per month plus Medicaid. In terms of cost, this action results in $100 in increased expenditures. A previous analysis by the CSSP showed that the increased costs of working recipients returning to the rolls would be $90 per month per case assuming average earnings in each state.

  Targeting savings on the relatively small number of working AFDC recipients who get only small partial payments is not only risky in terms of the potentially higher costs if recipients return to the rolls, but is perverse public policy as well. Instead of encouraging people to work, as mentioned earlier, the new policies make it increasingly difficult for recipients to continue working. In terms of investment of human capital, it would make sense to spend the small sums necessary to retain a financial incentive to work. Wisconsin's welfare department estimates that decreased earnings in that state will lead to

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[12] Newsweek, 20 December 1982, p. 92.

> increased expenditures of $13.5 million and lost taxes amounting to another $6 million. Thus the cuts inflicted on working welfare recipients are best described as "penny-wise and pound-foolish.

In summary, we need an approach to the budget that is broader than simply the savings possible in any one year or program. To assess the real savings from the AFDC cuts, we must not only subtract out the increased costs or lack of savings resulting from return rates, state actions to counteract the federal changes, and shifts in other human service programs. We must also ask the difficult question of whether any funds left over are really "savings" in the long run or merely short-term reductions which will compound the real problems.

## IV. HAVE FEDERAL FUNDS BEEN MONITORED TO ASSURE THEIR USE FOR INTENDED PURPOSES?

If the federal government is to be accountable for its actions, it must acquire the necessary data to determine the effects of its recent budget and policy changes. Because of the sweeping changes enacted in 1981 and 1982 in many entitlement programs and because the plight of low-income families and other disadvantaged clients to these programs is a national concern, the government must act responsibly to ensure its efforts have had positive effects. In order to carry out this responsibility the federal goverment must obtain the necessary information on which to base an objective and thorough evaluation of its actions.

Instead of maintaining the national data bases necessary to provide such information, this Administration has eliminated through budget cuts many of most essential information-gathering operations. It appears that the Administration is not interested in learning the effects of its actions, for it has virtually wiped out many of the large-scale surveys that provide the only information available on client population trends. For example, the Census Bureau has had to cut back on several survey efforts at the very time the nation is undergoing significant demographic and economic changes. The Administration has also eliminated the AFDC characteristics survey, the only detailed source of national information on that program's recipients. The Bureau of Labor

Statistics has ceased production of its Lower Living Standard index. The Panel Study of Income Dynamics which provides national data on families with a particular emphasis on low income families was not awarded federal funds for the first time in 14 years. And the threat of extinction hangs over several other data-gathering efforts. For example, the Census Bureau's Survey of Income and Program Participation, a source of data on recipients of multiple entitlement programs, had been terminated but was recently given a reprieve.

The withdrawal of support for research and survey data can only worsen the federal government's capacity to defend its programmatic strategies and budget cuts. Moreover, the withdrawal leaves the government without any basis for modification of these policies. Without these data bases, it will remain impossible to assess the impact of federal policies across programs for joint committees such as this one. In short, the federal government cannot be accountable if it halts the major data collection efforts in place to assess policy and program impacts.

1. In the name of deregulation, the federal government has ceased requiring states to report on the use of their expenditures. For example:

- State reporting requirements for the low-income energy assistance program have been substantially reduced. States now are not bound to any plan and can basically disburse the money as they see fit.
- States also are not required to report on their use of funds disbursed through the several block grants.

- In the case of monitoring the effects of OBRA on welfare recipients, the Administration's record is dismal. The Office of Family Assistance (OFA) of the Department of Health and Human Services has taken only one initiative to determine the impact of OBRA and it is narrow and short term. OFA used a quick reaction task order to obtain data from AFDC case records on the effects of the work-related provisions on the AFDC caseload. This study is a quick 6-month effort that is limited to work-related issues and may not involve interviews with recipients. Thus the data will be somewhat limited. Meanwhile, OFA is forced to rely on (1) state data which is also severely limited and highly variable, and (2) a simulation model that can only yield national averages rather than state specific information. HHS has done nothing to help states develop their own research capacities to monitor the effects of OBRA.

2. There is no adequate information available yet on the effects of OBRA on AFDC caseloads, recipients and families. The federal government has no national data available yet. Consequently, it must rely on state data. Based on a brief analysis of ten states, the CSSP has concluded that the available information is inadequate for any conclusions about OBRA's success or failure. States have few resources with which to evaluate impact; most must use their limited computer time and personnel for routine program operation. Consequently, the gaps in knowledge--about how many recipients were terminated for what reasons, how many came back on, and what budget savings were realized--are considerable.

Moreover, there have been no efforts to synthesize data across states in order to portray the effects of the cuts on a multi-state basis.

## THE IMPACTS IN SUMMARY

The facts presented above lead to several conclusions about the impact of recent budget cuts and policy changes on disadvantaged groups. First, although these new policies may result in slight savings to the federal government, they do so to the detriment of the most vulnerable groups in our society. In addition few real long-term savings will result. The cumulative impact of the federal changes across multiple human service programs appears to be harsh not only for welfare recipients but for the growing class of "new poor" -- people suddenly without jobs or means to provide for their families. The policies enacted over the past two years are grossly unfair in two ways -- to the dependent groups who must rely on public programs, and in comparison with the minimal sacrifice being asked of the more affluent.

The only way to truly judge the impact of New Federalism is to examine the clients who rely on its programs and policies. Although much of the evidence is not yet in, preliminary information suggests that the poor are suffering because of a combination of factors. A deteriorating economy and rising unemployment are causing hardship for millions. But at the same time, the Administration's policies have cut back those programs designed to help in times of economic distress. These new policies, rather than shoring up the marginal workers and the working poor, make it increasingly difficult for them to move out of poverty. Instead of helping poor people pay their fuel bills with funds from a tax on windfall oil profits, the administration forces the poorest of the poor to choose between heating and eating.

A second conclusion about these policies enacted as part of the New Federalism initiative is that they will have adverse long-range consequences on the structure of our human service programs. The constriction of these programs only makes them less flexible and less able to meet the range of needs that exist in our society. The gaps in the "safety-net," already large, are now enormous. AFDC, for instance, has been transformed from a program of aid for a wide group of poor families with children -- including some with jobs at low wages and others without jobs -- into a much narrower effort primarily aimed at non-working families. As such, the AFDC program cannot now hope to increase work effort among the client population. The working poor have been left to fend for themselves. The programs are also becoming more difficult to administer, adding to the strain felt by fiscally-distressed state and local agencies.

If the increased hardships being borne by the poor were actually responsible for reducing the federal deficit and thereby improving economic conditions, it could be argued that the budget cuts and policy changes were "evil but necessary." But of course the deficit has now reached record heights and is only growing larger each month. Cutting the mainline programs for the poor has had virtually no effect on the size of the deficit. Furthermore, as the previous sections illustrate, the so-called savings realized by these cuts are in reality no more than cost shifts to state and local governments from one human service program to another. The rise in poverty statistics shows that the need is only increasing; we cannot ignore this by pretending to save money in one part of a complex intergovernmental system.

Despite the obviously harsh consequences for people, programs, and budgets, the Reagan Administration appears disinterested in the impact of its actions. Data collection efforts have been severely curtailed or even eliminated at the very time they are needed most. As a result, government cannot be accountable for its actions. To remedy this, the federal government should (1) provide financial assistance for states to conduct their own research efforts; and (2) establish a mechanism for evaluating the impact of policy changes across states. Lacking such a mechansim, the federal government is ignorant of the effects of its policy changes throughout the country.

Clearly the New Federalism has had a devastating impact on the poor, has created administrative confusion, and has achieved few real savings. The response of the administration has often been to say that its opponents offer no alternatives. But in fact numerous alternatives have been put forward. Several are outlined below.

## CONCLUSION: AN AGENDA FOR THE FUTURE

In this concluding section of our testimony, we wish to suggest a series of initiatives which constitute a beginning social agenda for redressing some of the glaring failures of the New Federalism. Congress must act swiftly to restore federal responsibility for rational and humane domestic programs. We have witnessed over the last several years a progressive deterioration of federal responsibility and leadership in the domestic area. The President's recent proposal for a freeze on domestic spending is one more example of an inequitable and futile attempt to reduce budget deficits on the backs of the poor, the disabled, and the disadvantaged -- the very people who most need the assistance of a creative and caring government. Congress cannot afford to wait much longer to assess the long range impacts of the New Federalism. We know enough now to conclude that major domestic policy proposals must be put forth as alternatives to the President's freeze proposal, both to alleviate the immediate suffering of many, and to lay a foundation for social productivity, health and security during this century and into the next.

We believe, at a minimum, that action must be taken in the following three areas:

- Restoration of a true national safety net for those in our society who are unable to work.
- Creation of positive work incentives for those who are able to hold jobs, including the working poor and the marginally employed.

- A greatly expanded and revitalized focus on employment -- including job training and job creation in both the public and private sectors.

Before discussing each of these recommendations separately, some general comments about the causes and outcomes of poverty may be useful. Current economic conditions have shown us all too painfully that poverty in the U.S. is a multi-faceted condition and is not restricted to the mythology of the lazy welfare recipient living on the public largesse. People are poor for many reasons, not the least of which is the lack of jobs in the present recession. The welfare population includes the young and the old; fathers both incapcitated and unemployed; mothers who have lost husbands and mothers who never had husbands; the able-bodied and the disabled; people who work, people who do not work, and people who, according to various interpretations, should work. People end up in poverty and often on welfare because of poor education, poor health, inability to find work, inability to support a family, illness, injury, unwanted pregnancy, divorce, desertion or physical or mental handicaps.

Yet despite these facts, which are readily apparent from even a superficial look at the caseloads or from the scores of press reports on the plight of the poor, we still tend to act as if we believe the poor were a monolithic group. Despite the fact that we know better, we seem to think all of the recipients of our means tested entitlement programs are lazy, immoral or somehow personally responsible for their lack of employment and income. From these kinds of unfair and untrue generalizations have sprung the recent AFDC changes to reduce work incentives, mandate workfare, reduce assets and work related expenses, and deny help to pregnant women. The focus on the "truly needy" is a smokescreen for failing to recognize the multiple causes of people's need and for failing to design alternatives that respond to those needs. We emphasize this because the consideration of alternatives must take into account the wide range of social problems that demand assistance and the necessity to pursue a social agenda simultanteously on several fronts. We turn now to discussion of the three-part strategy listed above.

1. Restoration of a national safety net for those in our society who are unable to work. We must recognize that even under vastly improved economic conditions, there will always be some in our society who cannot be expected to work outside their own homes -- the disabled, those with young children, and those with major health or emotional problems. We must assure that these families and individuals are provided a basic minimum standard of living regardless of where they live and irrespective of state and local budgetary pressures. We recommend that Congress consider the establishment of a single non-categorical income program with a national minimum benefit level designed to provide a decent standard of living for families and individuals who cannot reasonably be expected to work.

We emphasize that the vast majority of the recipients here are children. The goal of such a program is to provide basic necessities for the development of our most valuable national resource, our children. Therefore, closely alligned with basic income support should be a nationally defined service strategy to strengthen family life, with primary emphasis on children and on long-range help in moving people from dependence to self-support.

2. Creation of positive work incentives for those who can and do work, including the working poor and the marginally employed. As the preceding analysis has shown, one of the most devastating impacts of the OBRA changes has been the destruction of positive work incentives in the AFDC program. Work incentives must be restored, but not back within the context of the welfare program. The problem is that in cutting off working AFDC families, the Administration offered no alternative and no mechanism for providing positive work incentives for those who want to work and those who do work, but continue to need some form of supplemental income assistance. We recommend restoring and expanding work incentives through the tax system -- through expansion and reform of the existing Earned Income and Child Care Tax credits. The objective here is to provide income supplementation for the working poor through the tax system, both to enhance work incentives and to insure that working persons who require additional income are not forced to quit their jobs and enter the welfare system in order to receive help. We recommend that the EITC be expanded both in terms of the level of income eligibility and the dollar amount of the credit

itself, proposals which some members of Congress have already suggested. Further, analysis should be done on the feasibility of varying the amount of the EITC by family size in order to meet the income supplementation needs of large families. Reforms have already been made in the Child Care Tax Credit to expand it for lower-income workers. This helps some but is still out of the reach of many low-wage earners. Congress should now consider making the credit refundable so that it can provide assistance to low wage earners who cannot benefit from a straight tax credit.

3. Development of an expanded and revitalized jobs program with emphasis on public and private sector job development and training. The third part of our recommended strategy focuses on job creation and job training. This is a critical need and is perhaps the most important part of a program for increasing the productive capacity of our society. We must address the difficult tasks of (1) creating jobs, both in the public and private sectors; (2) training presently unemployed and unskilled workers for those jobs; and (3) revitalizing the institutions which help people find employment.

One part of this program should be the establishment of a unified and restructured unemployment compensation/manpower system which is responsible for providing assistance to all persons who can be expected to work outside their homes and maintain jobs. Temporary stipends should be provided through the unemployment insurance system for unemployed persons in training and until such time that they become employed. A new national manpower strategy can be built primarily upon existing legislation and programs, fundamentally restructuring them to provide an integrated system of training, job placement services, and public service employment opportunities to assist those who can, want to, and should be helped to find work.

In conclusion, we wish to congratulate the Joint Economic Committee for conducting these hearings and urge that you take very seriously the urgent need to restore federal leadership in the domestic arena. All too often we tend to think of our national security only in terms of defense and international relations. In fact, a nation of productive, healthy and caring citizens is the most important national security we can provide for this generation and the future.

WRITTEN STATEMENT OF THE
CHILD WELFARE LEAGUE OF AMERICAN, INC.

## IMPACT OF NEW FEDERALISM

JOINT ECONOMIC COMMITTEE
U.S. CONGRESS

February 4, 1983

The Child Welfare League of America appreciates the opportunity to provide written testimony on the impact of New Federalism.

The Child Welfare League of America was established at the request of the delegates to the White House Conference on Children in 1920. It was the first, and continues to be, the only national, not-for-profit, voluntary membership organization which sets standards for child welfare services in the United States. The League is a privately supported organization comprised of 400 child welfare agencies in North America whose efforts are directed to the improvement of care and services for children. Our agencies provide adoption services, day care, day treatment, foster care, residential treatment, maternity home care, protective services, homemaker services, emergency shelter care, services for children in their own homes and services for children and families under stress. The agencies affiliated with the League include all religious groups as well as non-sectarian public and private nonprofit agencies. Through the Office of Regional, Provincial and State Child Care Associations, the Child Welfare League also represents 1,600 child care agencies affiliated with 27 State Child Care Associations. This means that members and affiliated agencies of the League serve several million children nationally. It also means we speak for over 6,000 volunteer board members and several thousand more direct service volunteers. This then is the uniqueness of CWLA; we are not only an advocacy organization, but our agencies serve children and their families in every state in the country. In other words, for the past sixty-two years our business has been serving children.

Of the nine block grants enacted under the Reconciliation Act last year, we are the most familiar with the Title XX Social Services Block Grant. In fact, the Hecht Institute for State Child Welfare Planning, a division of the League, was created in 1975 to assist in the implementation of the original Title XX Block Grant. We have extensive experience with this block grant and if there is one thing we can testify to, it is that you simply cannot make quick turnarounds of a major nature without hurting children and families.

CWLA is in a position to make some partial assessments about the implementation of Title XX since fall of '81. CWLA's Child Welfare Planning Notes is a newsletter which reports on the latest news from Washington and the states. We maintain regular contact with public and voluntary nonprofit agencies throughout the country in order to share information in a timely fashion, and hopefully to "prevent the wheel from being reinvented" on a state-by-state basis. Second, through our State Child Care Associations, we are provided with information on what is occurring at the State and local level on a regular basis. Finally, CWLA conducted a "Survey of Impact of Reduced Public Funding of Human Services and Local Agencies", otherwise known as the "Human Fact Sheet". The League worked in conjunction with the Council of Jewish Federations, the Family Service Association of America, and the National Conference of Catholic Charities to develop the survey form. We would now like to share information gleaned from these sources with the Joint Economic Committee, and also briefly run through the results of the American Public Welfare Association's report, "A Study of the Implementation of the Social Service Block Grant in State Human Service Agencies with a Primary Focus on Ten Key Issue Areas."

Impact Issue One: Has the "safety net" been maintained to protect the "truly needy?

This question can only be answered in terms of a definition of the "truly needy", a definition which will vary from individual to individual, and from organization to organization. The Child Welfare League agencies, however, report that there are more people than ever asking for services, that there is an increase in reports of child abuse to the protective service workers in the state department of social services, and that those groups of people who are not employed are bringing their children to social service agencies because they have run out of unemployment benefits and therefore lack food, shelter and medical care for their children. We believe that a "safety net" should be a base level of food, clothing, shelter and medical care for families. Still, in many cases, simple subsistence is not enough to protect the children of families which are in crisis. A broad range of social services may be needed at various times, and these services also make up a portion of the "safety net". Finally, the cuts in social service programs have been so drastic that even if one program were maintained at the current level of funding, there would be increased pressure on that program to support the needs of a greater number of people.

We would like to give just one example to make our point as to the inadequacy of the "safety net":

Project Cure is a drug rehabilitation program for drug addicts serving the Dayton area. A 30 year old pregnant drug addicted mother of four children was referred by our agency to this program after her children had to be placed due to her inability to give them adequate care.

Her desire is to be reunited with her children and our agencies contract with her is for her to successfully complete the drug rehabilitation program. The mother is without resources as, naturally, her AFDC and medicaid coverage were terminated once the children were placed.

Due to Federal cut backs Project Cure has had to raise its charges. This mother is now required to pay $40.00 per month for lab fees and $30.00 per month for medication, a fee she is unable to meet. At present she is still in the program since she is employed at the center part time as a clerk, in order to reimburse the project for her bill. This special arrangement will end if anticipated further program cuts occur.

At present she is not rehabilitated, and without further treatment she cannot possibly be in a position to give her children adequate care nor receive proper pre-natal care for her unborn child. Not only is this mother and her children separated, but the community is bearing the costs of out-of-home-care of the children at much greater expense than the cost of treatment and subsequent AFDC and Medicaid for herself and her children would be.

Impact Issue Two: Has there been a change in state, local and private sector (voluntary, sectarian, corporate) responsibility for domestic social programs?

The change in responsibility for domestic social programs has been different for the three sectors, but all have felt an increased demand for services and dollars to support those services. The Urban Institute's study, "The Federal Government and the Nonprofit Sector: Implications of the Reagan Budget Proposals," (May, 1981) projected that nonprofit organizations stand to lose $27.3 billion during 1981-1984, with a reduction, expressed in constant dollar terms, of 26.3 percent in federal assistance in Fiscal Year 1984. The study also predicted that those nonprofits engaged in social welfare and education activities would be most severely affected by the cutbacks. The study reviewed the demands upon private philanthropy, and predicted that private giving would have to increase by 44% in Fiscal Year 1984 to keep pace with the losss of revenue of nonprofit organizations.

The predictions of the Urban Institute study are borne out in a sample of state and local agencies taken in 1982:

Family and Children's Center, Inc., Mishawaka, Indiana - reported a loss of $150,000 in Title XX for residential treatment, $2,500 in Title XX for family counseling, $23,000 in Title XX for homemaker services, and $5,000 in Title XX for day care services. In order to replace these funds, the agency was dependent upon the county for reimbursement for residential care. The family counseling, homemaker services, and day care program would serve fewer people. The agency laid off seven staff members, and was hoping for an increase in the United Way allocation to offset some of the cutbacks.

Los Angeles County Department of Social Services - reported a total loss of $19,216,784 in Title XX. The effects of this loss were elimination of the following programs: special care for children in their own home, diagnostic services for chidren, and voluntary placement intake services. The county laid off 15 Medical Social Work Consultants, 260 Social Workers, 65 Community Workers, and 48 Clerical Staff. Cutbacks in programs funded by Title XX, such as foster family care, residential treatment, and day care services, totaled $22,041,957, with 41,562 clients affected.

Crittenton Center, Kansas City, Missouri - reported a loss of $225,588 in Title XX monies from the states of Missouri and Kansas, resulting in a cutback in the residential treatment program. The agency also sustained a $20,000 cut in outpatient mental health reimbursement dollars, and $10,000 cut in USDA monies from the school lunch program. These cuts have resulted in a decreased number of clients served, and 5 staff cuts. These cuts were not alleviated by United Way allocations, which decreased $25,000.

Impact Issue Three: Has program innovation been encouraged with increased responsiveness to each state's unique needs and priorities?

It can certainly be said that program innovation has been encouraged because anytime one makes cuts in program budgets and staff, there has to be change in an agency. While states may feel that present policies are responsive to their needs, we would question whether or not the role of the Federal government should be to meet the needs of the states, or the citizens of those states. The League believes that the needs of those citizens, and specifically children and youth, are both unique and unmet in many instances.

For example, the Subcommittee on Intergovernmental Relations of the Senate Committee on Governmental Affairs held hearings on block grants during the 97th Congress. Testimony provided by the National Governors Association member, the Honorable Christopher S. Bond of Missouri, confirms the flexibility and innovation which states have found under the block grants. One of the examples which Governor Bond uses is the positive change under the Alcohol, Drug Abuse, and Mental Health Block Grant. Reporting that, "We are now able to target federal resources to chronic illnesses and other mental health problems which we know are most critical in our state," Governor Bond illustrates that states do make choices under the present policies. The choices in this case, while positive for some segments of the population, are not positive for all, as Missouri has no identifiable children's mental health budget or child/adolescent administrative mental health unit. In addition, Missouri has no targeted state funds for prevention or early intervention in the mental health services area for children and adolescent mental health services (Unclaimed Children, The Failure of Public Responsibility to Children and Adolescents in Need of Mental Health Services, by Jane Knitzer), and those states which do have a specific focus on children and youth services -- either through the budget or administrative unit -- provide better linkages for children which thereby ensures needed services.

Impact Issue Four: Is there evidence of increased administrative efficiency and cost saving?

No. On the contrary, some of the most cost-effective services are being cut, such as prevention and protective services. We can only hope that these services remain for life-endangering situations, but there have been incidents of failure to investigate on the grounds that physical harm to a child did not seem to be occurring. Also, incidents where the level of abuse was not deemed serious enough to qualify for services yet, have been recorded. These types of decisions, including limitations on pre-placement preventive services and family strengthening services, are not made because administrators are heartless, but rather because they are presently engaging in "damage control/survival techniques." Often, it is only the most dangerous life-threatening circumstances which obtain attention, while those needing supportive services may be in crisis if they do not receive them. This type of policy is not cost-effective.

In terms of children's services, it should be noted that actual cost-effective reform, i.e., the provision of permanent homes for children and family support services which are both preventive and which work for family reunification in instances of foster care, cannot be implemented or maintained without adequately trained staff. State and county departments of social services inform us that training is one of the first activities to be cut. Lack of training coupled with layoffs of skilled workers means that remaining staff are overburdened, and in cases of strong civil service laws, the workers with seniority who are left to staff Children's Services may not be the workers who have expertise in that area of service delivery.

Quality care for children has often been lost in the struggle for "administrative efficiency and cost saving." We have witnessed a movement towards the bidding concept in the children's services domain. Services are purchased from the lowest bidder -- regardless of the quality of care or the appropriateness of that care for the individual child. Naturally, as agencies seek referrals, the bidding process forces them to either depend more on contributions (which are overstressed and sought by many social service agencies), or lower the quality of their services.

There is evidence of direct effects on services resulting from administrative costs. Without limits on administrative costs in the Title XX program, some state departments decided to pay state employee salaries and provide services directly instead of utilizing the cost effective method of purchase of services from the voluntary non-profit sector. Purchase of service eliminates the need for capital investment in the "bricks and mortar" of the agency, as well as increasing the resources available through charitable contributions.

The Michigan Federation of Private Child and Family Agencies prepared a report, In Partnership with the Public, (May 1979), on the merits of purchasing services from child and family agencies which are voluntary non-profit and governed by citizen Boards of Directors.

"At least some of the findings of this report are quite dramatic. For example, the Federation of Private Child and Family Agencies provides documentation to confirm the efficiency of the state 'purchased services' policy. Michigan's unwanted, parentless, delinquent and otherwise 'troubled' children are being served by 'the private sector' at a cost to the state which is considerably less than the cost of operating these programs from within the government.

- If the employees of the private sector were paid state wages, their salaries would be increased by 42%, and if wages and fringes were combined, the increase would be 52%!
- The use of purchased child welfare services by the state is saving more than $20 million per year in salary and fringe benefits alone.
- If the state took over the private non-profit homes and agencies the capital costs for the state would exceed $100 million."

Impact Issue Five: Has there been an increase in public participation in decision-making on the uses of federal funds?

No. Previously there was both a formal public participation process as well as an understandindg of the necessity for that process. In many instances under the block grants, specifically Title XX, private sector service providers have been excluded from participation in the planning process. The decisions which are made under the rubric of "New Federalism" are often the decisions of expediency and the marketplace, rather than those which are a response to the needs of the community and state.

The lack of emphasis on public participation has led to a lack of confidence in the decisions, and antagonism between the public and private sectors which ultimately does not further the goals of service to client populations, and would decrease any efficieny hoped for due to decreased emphasis on public participation.

One final point for the committee to consider is the mechanism for public participation. A survey of our agencies indicates that they had to resort to a variety of means for "having a say" prior to decisions being made. Over half of our members found that they needed to utilize more than one mechanism including contacting the Governor's office, establishing a state organization with full or part-time representation, forming coalitions, testifying at state legislative and departmental hearings, participating in advisory councils, and other participatory means. It should be recognized that not all levels of interplay between the public and private sectors would lead to the kind of planning which is comprehensive in nature and scope.

Impact Issue Six: Have federal funds been monitored to assure their use for intended purposes and in compliance with relevant statutory and cross-cutting requirements?

Unfortunately not. For example, the Title XX program only requires a pre-expenditure report on the intended use of funds in order for a state to be eligible to receive its funds. Additionally, the state shall prepare a report at least once every two years in such form as the Secretary shall require. The implementing regulations for block grants under the Department of Health and Human Services specify that:

> "Block grants will be exempt from the usual Departmental grant administration requirements found in 45 CFR Part 74. (Part 74 is based on OMB Circulars A-102, 'Uniform Administrative Requirements for Grants to State and Local Governments' and A-87, 'Cost Principles'.) A State will not look to Part 74 for such matters as property or procurement standards, or what is an allowable or unallowable cost. Rather, the state's laws and procedures covering the expenditure of its own revenues will govern. Any expenditure in violation of the state's own laws and procedures would be unauthorized and subject to disallowance...When an issue arises as to whether a state has complied with its assurances and the statutory provisions, the Department will ordinarily defer to the state's interpretation of its assurances and the statutory provisions, unless the interpretation is clearly erroneous. ... The Secretary is not prescribing any other data collection requirements and is not prescribing the format or content of any information that the block grant laws require the state to collect." (Emphasis added)

In a report to Congress by the GAO, Early Observations on Block Grant Implementation (August 24, '82), where the GAO visited thirteen states the following information was presented:

> "To cope with funding reductions in the Social Services block grant, 10 of the states altered previously established funding patterns. Also, seven states had transferred Low-Income Home Energy Assistance funds into Social Services. In the Low-Income Home Energy Assistance program states used their new flexibility to fund weatherization--an activity not authorized previously.
>
> While initially concentrating on budgetary decisions, certain states reported, or contemplated, management changes to take advantage of reduced Federal application and reporting requirements. Traditional

Federal oversight activities, such as detailed application review, have been curtailed and little additional guidance has been issued beyond that contained in the statutes. Federal compliance and enforcement efforts on such matters as nondiscrimination are being developed.

Federal agencies have stated they will not specify the form and content of these reports. Concerns that the lack of standard program data could make national assessments difficult have prompted certain states for some block grants to work together to maintain or develop reporting systems. A key issue is whether this voluntary approach will produce sufficient information for national policymaking.

Another question raised during early implementation was whether national crosscutting requirements, such as fair labor standards and political activities constraints, apply to the block grants. Crosscutting requirements are statutes or administrative requirements which apply by their terms to all or several Federal assistance programs. Aside from certain civil rights laws, the Reconciliation Act and agency regulations by and large are silent on the subject. The Small Cities block grant regulations are an exception to this pattern.

As opposed to making an explicit determination of the applicability of crosscutting requirements to the block grants, Federal agencies at this time are addressing the issue selectively, but they are continuing to consider alternative ways of apoproaching the subject. Given the short time available preceding implementation, most states were considering the applicability of these requirements and believed that Federal advice would be desirable."

Another program of great concern to the CWLA is the Adoption Assistance and Child Welfare Act of 1980. The law was enacted with overwhelming bipartisan support, which still remains strong, yet the Department has failed to properly implement it. Regulations for the programatic requirements are in the "second notice of proposed rulemaking" stage and merely parrot the language of the Act, thereby failing to provide the Federal leadership and oversight functions the Department is supposed to perform.

Clearly, the Federal agencies charged with regulatory and monitoring functions under this Administration are doing everything possible NOT to monitor compliance with Federal Laws, nor the expenditure of Federal Funds.

In spite of repeated, unsuccessful attempts to block grant this Act, the Department persists in implementing it as though it were block granted. Instead of verifying actual compliance, they are utilizing the "self-certification" process whereby the state signs a form that it has met the requirements of the law (according to the state's interpretation). This process elicited much concern in Congress, and the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation initiated an investigation by the GAO on the Department's implementation of the law. This report of seven states' experience is expected to be transmitted to Congress this March.

Officials at HHS do not appear to want to monitor the compliance of this law or the use of the Federal funds designated for specific requirements embodied within the legislation. For Fiscal Year 1981 no formal information from the Deparment was transmitted to the states on what would be an acceptable level of compliance with the law. When states inquired as to specifics, they were informed that the requirements were contained in the law. Finally, in Fiscal Year 1982, the Department started "post self-certification reviews" and states were concerned that they were being "caught in the middle" between Congress and the Deparment of HHS. It is clear that Federal regulation, technical assistance and monitoring are necessary to properly implement such legislation and safeguard the expenditures of Federal funds. States have requested guidance from the DHHS before compliance is reviewed. A consistently applied standard to measure compliance and progress is absent in the current DHHS process.

The Adoption Assistance and Child Welfare Act must remain a Federal categorical program if the lives of vulnerable children and their families are to be protected. In order to ensure such protection HHS must perform its duties regarding monitoring and compliance of this critical child welfare reform package.

## Response to New Federalism Proposals:

The Child Welfare League of America opposes the administration's proposals regarding the "turnback" and the "swap" of programs. Our years as a national organization serving children and their families has taught us of the enormous need for federal initiative in the area of children's services, and has also demonstrated the discrepancies in services from one state to another. For example, P.L. 94-142, the Education for All Handicapped Children Act, was passed after the recognition that handicapped children in this country had educational needs which were unmet. Throughout the first seven decades of the 20th century, many handicapped children -- especially those with the most severe physical, mental or emotional handicaps -- received few or no educational services. Following the various court decisions of 1975, a number of the states improved the educational opportunities for handicapped children, yet the 94th Congress found that more than half of the estimated eight million handicapped children in the United States were not receiving an education that was either free or appropriate to their needs.

In 1980, P.L. 96-272, the Adoption Assistance and Child Welfare Act was passed. This federal initiative was a response to the fact that hundreds of thousands of children and youth were languishing in foster care in this country, and in several instances states neither knew how many children were in foster care or even where they were. Again, there was evidence of gross neglect of the needs of children on the part of individuals and government, and Federal initiative and resources were required in order for the states to provide the services and reform the system.

The Child Welfare League believes that in these two instances, as well as many others which we can cite: child care feeding programs, juvenile justice and delinquency prevention, runaway and homeless youth, etc., the national interest was served by the role which the Federal government played in these important domestic social programs. We also believe that the Federal government has just as important a role in the provision of income maintenance to families. Income maintenance programs such as AFDC, Food Stamps, and Medicaid, are the primary prevention effort which enables families to stay together in many cases, and to continue to care for their children. As Alan Pifer, President of the Carnegie Corporation of New York recently stated:

> "If we have any concern at all about the future of the nation, we have no choice but to get today's young people off to the best possible start by investing generously in their development. Human capital formation, always important, has become many times more so in regard to today's children, because casualties resulting from such things as poor nutrition, poor health care, inferior education, poor home conditions, and so on, simply can no longer be afforded. Each casualty, moreover, becomes a double loss to society, not only as a producer but also as an extra burden on what will already be an overly burdened generation."

Basic income security and special attention to the needs of specific populations are in the national interest, and based upon the experience of the past, are clearly in need of an active Federal government role.

We believe that the economic difficulties of our country have particular detrimental effects on children and their families. Moreover, the loss of revenues at the state level have exacerbated the problems of children and families because the fiscal health of a state has a marked effect on needed services for children. Again, accepting that children are a national resource, the differences in localities, both in terms of their policies and practices towards child welfare and their program expenditures, become a concern of the Federal government. We would state that the discrepancies in educational opportunities, medical services, etc., should also be a compelling concern for the Federal Government.

We recognize that there has been some congestion in the existing intergovernmental system. Child Welfare is one of the best examples of a service system which needs "sorting out". However, our suggestion would not be a turning back of all responsibility, or a "streamlining" of planning, but rather an increased emphasis on training, planning, and coordination among the existing services and funding sources for children and families. We believe that many of the existing regulations guide and shape child welfare in a positive way.

The Child Welfare League of America believes that the programs which are in effect at this time need continued support if they are ever to be fully implemented. We are unwilling to turn our backs on these programs for which needs were so clearly demonstrated. Until such time as the commitment to such programs is realized, we will continue to speak for these legislative supports for children as appropriate responses to the national goals.

**Children's Defense Fund**
1520 New Hampshire Avenue, N.W.
Washington, D.C. 20036

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February 9, 1983

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Congressman Lee Hamilton
Congress of the United States
Joint Economic Committee
Washington, DC 20510

Dear Congressman Hamilton:

Thank you for your letter regarding the Joint Economic Committee hearings on new federalism.

The Children's Defense Fund shares your concern about the consequences of new federalism policies and proposals. As one of more than 100 national organizations participating in the Coalition on Block Grants and Human Needs, we are especially disturbed with the impact of these policies on our poorest citizens and children. The Coalition recently released a report, prepared by the Center for Law and Social Policy, that convincingly demonstrates the devastating impact on millions of poor people that implementation of new federalism block grants has had in state after state. As you conduct hearings, we urge the Committee to consider this report as well as the views and expertise of the Coalition and its members.

The Children's Defense Fund recently conducted a national survey of changes in state maternal and child health services, in order to determine whether the Administration's claim was true that budget cuts would reduce only duplicative and wasteful services and not affect the "truly needy." The enclosed survey focuses on Medicaid, as well as on the Title V Maternal and Child Health Block Grant, and the Community Health Centers Program (Primary Care Block Grant), and include information received from 49 states and the District of Columbia.

The findings of our survey tragically indicate that poor people, mothers and children, have suffered tremendously from new federalism policies. While states have responded in various ways to the program changes and drastic budget reductions, the impact on individuals was consistent as necessary, even life-saving services were denied to truly needy people in state after state. It is in this context that new federalism policies and block grants must be viewed. We urege your Committee to dwell upon the actual affects of these policies in all service areas so that abstract principles are considered in light of real needs.

We appreciate the work of the Joint Economic Committee, and hope to discuss with you further the critical issues of block grants and new federalism.

Sincerely,

Marian Wright Edelman
President

MWE/rss

Enclosure

# CHILDREN AND FEDERAL HEALTH CARE CUTS

## A National Survey of the Impact of Federal Health Budget Reductions on State Maternal and Child Health Services During 1982

A WHITE PAPER

Prepared by the
Children's Defense Fund
Washington, D.C.

Sara Rosenbaum
Judith Weitz

Principal Researcher, Dr. Mary Tierney

## ABOUT CDF

The Children's Defense Fund exists to provide a strong and effective voice for American children who cannot vote, lobby, or speak for themselves when critical policy decisions are made that affect their lives. We pay particular attention to the needs of poor, minority, homeless, and handicapped children. The goals of CDF are to educate the nation about the needs of children and to encourage preventive investment in children before they get sick, drop out of school, or get into trouble. We are a private organization supported by foundation and corporate grants and individual donations. CDF has never taken government funds.

CDF's staff includes child health, education, child welfare, and child development specialists, researchers, lawyers, organizers, and public education specialists. We conduct research; publish information on key issues affecting children; monitor the development and implementation of policies for children; provide regular information, technical assistance, and support to a wide network of state and local advocates, policymakers, and parents; pursue an annual legislative agenda for children in the Congress; and litigate on a few selected issues of major importance to children when other avenues for advocacy do not work.

Although a national organization, CDF has roots in communities across America. We maintain state offices in Mississippi and Ohio, have staff in Massachusetts and New York, and have developed cooperative projects with groups in Georgia, Tennessee, Alabama, New York, New Mexico, Kansas, Maryland, Connecticut, Pennsylvania, and California. We also work closely with a wide range of national networks. Currently, CDF is collaborating with ten national organizations and a number of state and local child advocacy groups in conducting Child Watch projects initiated in 100 communities in 38 states around the country. Child Watch is a supplemental monitoring and public education project designed to document the human impact of federal budget cuts on children and families.

## ACKNOWLEDGMENTS

CDF gratefully acknowledges Dr. Mary Tierney, the principal researcher for this project, who with the assistance of Janeen Ellis, R.N., surveyed state changes in the Medicaid and Title V Maternal and Child Health Block Grant programs during 1982. CDF also acknowledges the National Association of Community Health Centers for its information on reductions in the Community Health Centers Program and related programs; the Intergovernmental Health Policy Project, George Washington University, and The Center for Policy Research of the National Governors' Association for their compilations of changes in state Medicaid programs; and the Congressional Research Service for information on federal spending for the prevention of lead-based paint poisoning under the Title V Maternal and Child Health Block Grant. Finally, our deep thanks go to all state Title V and Medicaid officials who provided our researchers with extensive assistance and information.

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All inquiries about the information contained in this paper should be addressed to Sara Rosenbaum or Judith Weitz, CDF Senior Health Specialists at (202) 628-8787 or 122 C Street, N.W., Washington, D.C. 20001.

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## PREFACE

In order to determine whether the Reagan Administration's claim was true that Fiscal Year 1982 budget cuts would reduce only duplicative and wasteful services and not affect the "truly needy," the Children's Defense Fund initiated a national survey of changes in state maternal and child health services. Forty-nine states and the District of Columbia responded to CDF's survey.*

Our findings are so disturbing that we wanted to bring them to the attention of the President and Congress, Governors and state legislators before Fiscal Year 1984 budget decisions are made that could add to the suffering of poor children and their families.

This survey focuses on Medicaid, the Title V Maternal and Child Health Block Grant, and the Community Health Centers Program because they represent the largest sources of federal health funds for mothers and children, are interdependent, and are the health care "providers of last resort" for the poor.

Medicaid pays for health care for over 10 million poor children who have no, or inadequate, health insurance to meet basic needs. The Title V and Community Health Centers Programs provide modest funding to establish public health services for poor mothers and children living in areas not adequately served by private providers or unable to afford to purchase private health care. These public clinics depend on the Medicaid insurance program for a great portion of their operating revenues. Approximately 5 million people were served in Community Health Centers in 1981 and 17 million pregnant women and children through the Title V Maternal and Child Health Block Grant program.

For Fiscal Year 1982 the Reagan Administration proposed to abolish Title V Maternal and Child Health and Community

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* Nebraska did not respond to the Title V portion of CDF's survey, but did provide Medicaid information. Hereafter, the term "state" includes the District of Columbia.

Health Centers Programs, as well as other critical health programs, and to create two general health block grants to states with a 25 percent cut in federal dollars. Congress responded by creating the Title V Maternal and Child Health Block Grant, which consolidates six programs, and a phased-in Primary Care Block Grant program to replace the Community Health Centers Program. Title V funds were cut by 18 percent below Fiscal Year 1981 appropriations levels and Community Health Center funds were cut by 13 percent.

For Fiscal Year 1982, President Reagan also proposed to end the Medicaid entitlement program by placing an arbitrary limit on federal spending. This "cap" would have resulted in a $1 billion cut in federal funds. Congress rejected this proposal and instead cut $866 million from federal Medicaid expenditures while retaining the program's entitlement features.

As these major federal health programs have shrunk, so have most state and local public health programs, such as city and county supported clinics and hospitals. Thus, this survey must be read against a backdrop of reductions of public funding for health care at all levels. Furthermore, we do not address here the cumulative effects on children of federal budget reductions in such health-related programs as income and housing assistance, child nutrition, child care, child welfare, social and education services. These will be described in CDF's forthcoming February publication: A Children's Defense Budget: An Analysis of the President's FY 1934 Budget and Children.

## OVERVIEW AND MAJOR FINDINGS

### I

Many thousands of poor mothers and children face health emergencies. They are being denied services vital to life and health as a result of federal budget cutbacks, unemployment, and shrinking state coffers.

- Every state (100 percent) has reduced its Medicaid program for mothers and children by cutting back on services and/or making eligibility more difficult.
- Forty-seven states (94 percent) reported cutbacks in Title V Maternal and Child Health Block Grant programs during 1982 by reducing eligibility and/or health services.
- 725,000 people, 64 percent of whom are children and women of childbearing age, have lost services at Community Health Centers because of federal funding cuts affecting 239 centers--28 percent of all Community Health Centers in the nation.

### II

Babies are needlessly dying and facing lifelong impairment for lack of adequate health care. Areas of the country suffering some of the sharpest decreases in the availability of public health services are also beginning to report a significant rise in infant mortality. This rise is correlated with increased poverty, deprivation, and an increased need for health care in an era of reduced public support for services.

- After an intensive effort in Alabama to decrease infant mortality, officials report that the state's infant death rate is now back at the 1980 level when Alabama had the highest infant mortality rate in the nation.

- In Ohio over 700,000 people are out of work. The state health department estimates that over one million Ohioans have no health insurance. Potentially, in the next three years alone, 60,000 children will be born to Ohio parents who have lost health insurance due to unemployment or underemployment. A preliminary look at seven Ohio counties reveals that as unemployment increases so does infant mortality. In the county that includes Youngstown, where unemployment is 18.6 percent, the infant mortality rate increased from 13.7 percent to 14.9 percent between 1980 and 1981.

- In some parts of Detroit, the infant death rate has hit 33 per 1,000 live births, the same death rate as Honduras, the poorest country in Central America. (Inadequate prenatal care contributes to infant mortality. One percent of all mothers who gave birth in 1979 in Detroit--386 women--did not see a doctor until the day of their delivery. Among these women, the infant mortality rate was 88 percent.) Warren, Michigan, has seen a 53 percent increase in its infant mortality rate; Pontiac, a 17 percent increase; and Flint, a 12 percent increase. Poor economic conditions, high unemployment, and unprecedented reductions in public health services contribute to these increases.

## III

Almost 700,000 children have lost Medicaid coverage because of the cuts in the AFDC cash assistance program made by Congress at the Reagan Administration's request in 1981. Additionally, some states have made deeper Medicaid cuts than Congress required in the 1981 budget bill.

- Officials who have analyzed Medicaid eligibility trends in their state during 1982 uniformly report that the overriding cause of lost Medicaid eligibility was the restrictions placed on the AFDC program under the Omnibus Budget Reconciliation Act of 1981 (OBRA). Loss of AFDC also means loss of Medicaid. Since almost 70 percent of all AFDC recipients are children, they have borne the brunt of the Medicaid eligibility cuts emanating from federal welfare reductions.

- In addition to AFDC-caused reductions in Medicaid eligibility, 17 states (Alabama, California, Delaware, Florida, Georgia, Hawaii, Kansas, Michigan, Mississippi, Missouri, Montana, North Carolina, Oregon, Rhode Island, South Carolina, Virginia, and Washington) cut Medicaid more than required by federal AFDC cuts, to the detriment of children. Specifically, 13 states (Alabama, Delaware, Florida, Georgia, Hawaii, Kansas, Mississippi, Montana, North Carolina, Oregon, Rhode Island, South Carolina, and Virginia) have eliminated coverage for some or all categories of children between the ages of 18 and 21. Five states (California, Kansas, Michigan, Missouri, and Virginia) have tightened financial eligibility criteria. Four states (Montana, Utah, Missouri, and Washington) eliminated benefits for two-parent unemployed families.

## IV

Many states report significant increases in Medicaid caseloads because of unemployment. Some of these same states have had to make the severest health care cuts, despite the number of "new poor families" in need of health services, because of economic conditions.

- During the second half of 1982, 21 states experienced increases in their Medicaid caseloads. In 16 of the states (Arkansas, California, Illinois, Iowa, Kansas, Maine, Maryland, Michigan, Nevada, New York, Ohio, Pennsylvania, South Dakota, Utah, West Virginia, and Wisconsin), officials reported that these increases were caused by unemployment.

- In Michigan, where unemployment is at depression levels, the state has been forced to make deep cuts in public Maternal and Child Health programs at the very time that the demand for public health services is surging. Eligibility criteria for Medicaid benefits have been reduced, making it more difficult for poor families to qualify for aid. The state also closed three public health clinics serving 6,000 pregnant women and 11,000 children, and two Family Planning Projects which had served 58,500 women. The state predicts 9,700 unanticipated pregnancies will result from the unavailability of Family Planning Services. Additionally, five Community Health Centers have been cut, affecting some 15,000 patients statewide.

- Utah, Montana, Washington, and Missouri eliminated their AFDC programs for two-parent unemployed families, which also would have provided these uninsured families with Medicaid benefits.
- Wyoming and Missouri officials reported that they were seeing two-parent families split up in order to qualify for the assistance available only to single-parent families.

V

Just when health care cost containment is critically needed, cost-effective prenatal and delivery services for pregnant women and primary and preventive services for infants and children are bearing the brunt of Title V Maternal and Child Health Block Grant cutbacks.

- Forty-four states (93 percent of those reporting reductions in their Title V programs) reduced prenatal and delivery services for pregnant women, and primary and preventive services for women of childbearing age, infants, and children. Twenty-seven states (57 percent) reduced their Crippled Children's Services.
- Thirty-seven states (82 percent of those reporting Title V reductions) reduced or eliminated services offered by the Title V programs of projects. Children and Youth Projects were the most frequently affected.
- Thirty-one states reduced or eliminated Medicaid services important for mothers and children, including new limitations on hospital, physician, clinic, and prescribed drug services.

## THE HUMAN COST OF DENIED HEALTH SERVICES

### Dwayne

Dwayne, an 11-month-old child from Youngstown, Ohio, nearly lost his life needlessly. Until his father lost his job at the steel mill, Dwayne had gotten regular medical care from a pediatrician in Youngstown. With the lost job, Dwayne's family lost their health insurance and they turned to the local health department, which provides health care to unemployed families at no cost. Even though the number of families using the health department clinic has doubled in the past year, mainly because of unemployment, budget cuts have forced the clinic to cut staff. As a result, Dwayne had to wait two months for an appointment.

In the meantime, Dwayne's family budget became so strained that his parents began giving him low-fat milk instead of higher-priced formula. By the time Dwayne was seen at the clinic he had become severely anemic and was "in a critical state." He was rushed to the hospital where he was given two transfusions and spent a week. When he was released the doctors placed him on the federally funded WIC supplemental food program, which provides him with the formula, juice, and cereal needed to prevent a recurrence of anemia.

The two-month waiting list at the local clinic continues. With unemployment in Mahoning County at nearly 19 percent, more and more parents are taking their young children off formula as a way to stretch their limited family budgets.

Dwayne's week in the hospital cost over $1,400. A thorough physical examination and an adequate supply of formula cost less than $100. The cost of any permanent damage to his health is yet to be determined.

## Sheila

Sheila is a pregnant 17-year-old living in Kentucky with her unemployed 19-year-old husband and her mother, whose $650 a month paycheck supports the three of them. Until two months ago, Sheila was able to get prenatal care because she lived in Pennsylvania, which provided Medicaid coverage to indigent pregnant women whose husbands lived at home. Kentucky does not provide such assistance. The only way Sheila could get Medicaid would be if her husband abandoned her.

In past years, Sheila might have turned, as many poor uninsured women have, to the Lexington, Kentucky, Improved Pregnancy Outcome (IPO) Project for help. IPO Projects, run by state Title V agencies, assist indigent women like Sheila in getting adequate prenatal and delivery care. This year, however, funds were slashed for the IPO, forcing the project to curtail care for nearly half its current caseload. The chance that the IPO will take on a new patient like Sheila is almost nonexistent. Sheila has gone for two months without prenatal care. No one knows what will happen when she is ready to deliver her baby, since the family has no money to pay for a hospital bed.

## Baby Doe

Children who are U.S. citizens born to undocumented Mexican aliens working in the San Joaquin Valley to gather the state's annual $13.9 billion agricultural harvest are being denied Medicaid cards.
In at least one county, officials cut Medicaid benefits for dozens of these children. Welfare officials ruled that the children were not legal residents of the county because their mothers had said that, if deported, they would not relinquish custody of their children. A year-old infant was severely burned and undergoing skin grafts when the county decision led doctors to stop the grafts. Asked why aid was cut, the welfare director said, "It's a question of money. We can't cover everybody." Treatment was resumed only after the courts intervened.

## Linda

Linda is employed at the Wendy's Hamburger chain in Mississippi on a part time basis. Her gross income from her job is about $85 a week. Her job carries no health insurance benefits. In December 1981 she was dropped from the cash assistance program because her income was too high. Consequently, she lost Medicaid coverage.

Linda has a four-year-old child who has been hospitalized for pneumonia. Luckily, the family had Medicaid coverage at that time. When the child got sick with a cold the following winter, Linda did not take her to the doctor because she did not have the money and was no longer covered by Medicaid. She came down with pneumonia again and was hospitalized. The bill came to $134. Linda was unable to pay. The medical center turned the bill over to a collection agency.

Since she lost cash assistance and Medicaid, Linda's rent has also been raised and the number of hours she works has been reduced. Other current financial obligations include a car note of $58 per month, loan payments of $50 per month for car repairs, a $70 per month utility bill, and $40 per month in transportation costs. When she was divorced, the child's father was asked to pay $75 per month in child support payments. To date, he has paid only a small portion of these payments. When Linda lost her cash assistance, she was also told that the

Department of Public Welfare would assist her in getting child support payments only if she paid a $20 fee. While the Department has not located the father, they have requested that Linda pay an additional $35 to have legal papers filed in court.

## Ms. Y

A young woman in Alabama, pregnant for the first time, had been getting prenatal care from a private doctor and had made arrangements to have her baby delivered at the local hospital. Her care was covered by the health insurance her husband received as a benefit for his work as a steelworker. About half way through her pregnancy, he was laid off and lost his health insurance benefits. Though they were now indigent, because both parents lived at home she could not qualify for help under Alabama's Medicaid program. Her doctor told her not to come back since she had no way to pay the bills. She went six weeks without prenatal care. She didn't know where to go or whom to ask for help, since she'd never used the public health and welfare system before. Finally, in desperation, she approached a television station. The television station broadcast her story, but no one stepped forward to help her. Then her husband left home. Because she was now a single low-income prospective parent, Alabama's Medicaid program could cover her and she was able to get prenatal care again.

## Being a Poor Woman in Labor in Missouri

Missouri, in order to save money, has been making it harder for families to apply for aid and for health providers to obtain the reimbursement they are owed. As a result, some hospitals in St. Louis, in order to discourage Medicaid admissions, have begun charging pregnant women in labor a $250 preadmission deposit for "nursery costs" for their unborn children. Women who cannot pay are being turned away. Many are flooding the public hospital, already stretched to capacity. As one advocate said: "We used to have poor women giving birth in the fields; now it's happening in their bedrooms."

## WHAT MUST BE DONE NOW

Not another cut in federal health programs for mothers and children should be tolerated. The only result will be more suffering and death. A child's chances of living or dying, growing up healthy or impaired, should not depend on whether his parents are rich or poor, employed or unemployed, together or single, or live in Kentucky rather than Pennsylvania.

1. Immediate positive action to meet the health emergency is needed by providing Medicaid to every poor child and mother in "old" and "new" poor families alike. The sole eligibility criterion for Medicaid should be poverty.

2. Funding for the Title V Maternal and Child Health Block Grant must be increased.

3. Funding for the Community Health Centers Program must be increased. We must ensure that the basic network of public health providers--the lifeline to the uninsured and poor in America--is able to respond to the demand for health care by the growing numbers of poor and uninsured families in America.

## HOW TO PAY FOR THESE IMMEDIATELY NEEDED ACTIONS

We can pay for these recommendations simply by having the Reagan Administration, Congress, and state officials make decent and fair choices about what they decide to cut and what they decide to pay for in their budget decisions. We think most Americans would agree that healthy mothers and children are more important than nonessential or questionable defense expenditures and tax cuts for the nonneedy.

- The Department of Defense owns a hotel at Fort Dean Russey on Waikiki Beach. The military resort was completed after the end of the Vietnam War. It is currently a popular vacation spot for military officials and retirees. Its fair market value is $100 million. The sale of the hotel would finance Medicaid coverage for all poor pregnant women.

- The Reagan Administration proposes to build 240 MX missiles (but base only 100). Each missile will cost American taxpayers $110 million. If we build 239 missiles--one less--we can finance the cost of Medicaid for every pregnant woman living below the poverty level.

- If we delay the beginning date of the third year of the individual tax cut scheduled to begin July 1, 1983, to July 12 (12 days), we can generate enough money to finance Medicaid coverage for all children living below the federal poverty level. Each day of delay equals $100 million in federal revenues. If we delay the individual tax cut until July 15, 1983,(15 days), we can finance all three recommendations.

- We will be building 100 B-1 bombers at a cost of $250 million each. If we build 91 B-1 bombers--nine fewer--we can finance Medicaid for all pregnant women and children living below federal poverty levels. Surely, this will not threaten our national security.

- Military bands cost $100 million. By using volunteer high school bands to play at patriotic events, we will be able to provide an additional $100 million for the Community Health Centers Program and perhaps interest more young people in patriotic activities.

- The TR-1 spy plane costs $40 million. We will be building 35 of them. If we build 32--or three less--we could add $120 million to the Title V Maternal and and Child Health Block Grant Program.

- If we scrap one nuclear-powered aircraft carrier ($3 billion), we can accomplish all three objectives and have over $1.5 billion left over to help provide jobs for unemployed poor parents.

## STATE-BY-STATE CUTBACKS

Individual charts giving detailed descriptions of program reductions made by each state follow.

The federal budget cuts have affected each state differently. States such as Alabama, Michigan, Arkansas, Missouri, Kentucky, and Washington have been severely affected by the unemployment and recession caused or exacerbated by Reaganomics. They have been unable to generate adequate state revenues to offset the damage resulting from federal cuts. Alaska, with its strong revenue base, has been able to expand modestly its public maternal and child health services. North Carolina, Tennessee, Maryland, and Iowa, despite the difficulties caused by the recession, have attempted to offset some of the cuts they made by modestly improving their Medicaid programs for poor pregnant women and children. Finally, there have been some innovative approaches, most notably New York State's legislation creating a special pool of insurance funds (including Medicare funds under special waiver authority granted by the United States Department of Health and Human Services) to assist hospitals serving large volumes of uninsured patients unable to meet the cost of care.

Sadly, a few states appear to have chosen not to offset the harm caused by federal reductions, even though their revenue bases are sound enough to permit them to generate additional funds during crisis periods that see a swelling number of indigent families. For example, Texas, New Mexico, Oklahoma, and Louisiana, which have considerable revenue generating capabilities, have failed to act to supplement existing public health services for women and children losing vital Medicaid coverage, or actually have reduced needed services that might have been partially or totally supported with supplemental state revenues. CDF believes that these states' failure to utilize state revenues to support basic human services is significant in light of the Reagan Administration's long term goal of turning back to the states complete responsibility for funding and administering nearly all human services programs for children.

## State Program Changes Implemented/Enacted During 1982

## ALABAMA

### Title V

- Closed 6 Maternity and Infant Care Projects, affecting 10,000 pregnant women.
- Lowered age limit for children able to receive Crippled Children's Services from 21 to 19 years old, affecting 1,300 children.
- Placed new restrictions on PKU services (PKU is a congenital disease that can cause brain damage and retardation in children if left untreated).
- Reduced intensive care unit staff in North Alabama hospitals and pediatric follow up programs that provided continued care for seriously ill and high-risk infants.
- Decreased state Title V appropriations for FY 1983.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Required maximum copayment allowable under federal law for all prescribed drugs except those prescribed under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children) or family planning programs or furnished to nursing home residents.*
- Raised income eligibility ceiling for people in institutions so that more of these people could receive Medicaid. This primarily affected elderly and disabled people.
- Eliminated inpatient psychiatric services for children.
- Limited hospitalization coverage for children, previously set at 30 days, to 15 days per year.

### Community Health Centers

- Cut 5 Community Health Centers; 4,000 patients affected overall.

### Additional Information

- Reported rise in infant mortality, with a return to 1980 levels, the highest in the nation.
- Reported upsurge in use of public clinics by unemployed people.
- Reported additional problems from state Medicaid cuts, including the loss of several million dollars for children's hospitals.

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* Throughout this white paper, we refer to a number of states that imposed copayments before October 1982, requiring Medicaid recipients to pay for part of the cost of their treatment. As of October 1, 1982, the Tax Equity and Fiscal Recovery Act of 1982 prohibits states from imposing any copayments on Medicaid-eligible children or on eligible pregnant women for pregnancy-related services. Thus, states now are legally prohibited from imposing copayments on children under age 18.

## State Program Changes Implemented/Enacted During 1982

## ALASKA

### Title V

- Reported NO CHANGE in Title V services.
- Increased state Title V appropriations.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added Medicaid coverage of women pregnant for the first time.
- Added Medicaid coverage of financially needy children (children who qualify financially for AFDC but who are not categorically eligible; for example, because two parents live in the home).
- Added Medicaid coverage of physical and occupational therapy, prosthetic devices, and medical supplies for noninstitutional long term care.

### Community Health Centers

- Cut one Community Health Center; 2,000 patients affected overall.

## State Program Chang[illegible]plemented/Enacted During 1982

## ARIZONA

### Title V

- Reprioritized all Maternal and Child Health services for children from birth to age 5; previously there was no age limit.
- Reduced Maternity and Infant Care Project services by 25 percent; 500 fewer women served.
- Reduced Family Planning services by 20 percent; 3,000 fewer served.
- Reduced Children and Youth Project services by 24 percent; 1,800 fewer served.
- Reduced services in Dental Projects.
- Maintained state appropriations for Title V, but shifted state maternal and child health resources, with the exception of Maternity and Infant Care Projects, away from maternity care to avoid further child health cuts:

  FY 1980-1981 funding allocation
  53 percent child health
  31 percent family planning
  8 percent maternity care

  FY 1981-1982 funding allocation
  56 percent child health
  44 percent family planning
  0 percent maternity care

  Cut Title V child health by 22 percent in 1982, family planning by 17 percent, and maternity care by 31 percent.

### Community Health Centers

- Cut one Community Health Center; 19,000 patients affected overall.

### Medicaid

- Implemented an experimental Medicaid program that does not include vision, dental, or hearing services for children. These services are required under Medicaid's Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children) but not under the "experiment."

## State Program Changes Implemented/Enacted During 1982

## ARKANSAS

### Title V

- Cut funding for Children and Youth Projects by two thirds, affecting 10,000 children. The state is providing preventive care only and "deemphasizing" treatment (e.g. not treating ear infections). Children are sent to the emergency room.
- Closed 4 Dental Projects, affecting several hundred people. Some 300 children are now on waiting lists.
- Reduced funding for the prevention of lead-based paint poisoning by 44 percent between FY 1981 and FY 1983.
- Decreased state Title V appropriations because of a loss in state revenues due to unemployment.

### Medicaid

- Eliminated 33,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added 8,000 newly eligible people to the Medicaid rolls since mid-1982 due to unemployment.
- Increased drug copayments.*
- Limited the amount of inpatient hospital care covered by Medicaid to 75 percent of the average length of stay in a hospital.
- Reinstated Medicaid coverage for dental services for adults.

### Community Health Centers

- Reduced services in Community Health Centers; 3,000 patients affected overall.

### Additional Information

- Reported increased demand for maternity services at Title V clinics due to high unemployment. Because there are not enough funds to meet the increased demand, some areas have 4- to 6-month waiting periods for initial maternity appointments.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## CALIFORNIA

### Title V

- Restricted Title V services to families within 200 percent of the federal poverty level. (In 1982 this was $18,600 for a family of 4.) Formerly, there was no income limit on who could receive Title V services.
- Eliminated nutrition, health, education, and social services from the California "Obstetrics Access Program," a special state program designed to promote access to maternity services for underserved people.
- Decreased staff and clinic hours at 2 Los Angeles and 2 San Francisco Children and Youth Projects.
- Reduced services at a University Affiliated Facility; 200 children no longer served.
- Closed one Dental Project in 1983 and one Family Planning Project in 1982.
- Reduced funding for the prevention of lead-based paint poisoning by 100 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations for prenatal care by $1.5 million.

### Community Health Centers

- Cut 7 Community Health Centers; 158,000 patients affected overall.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Imposed stricter financial eligibility criteria on "medically needy" people. (Medically needy people are those who have too much income to qualify for financial assistance but inadequate income to pay for the cost of necessary health care. States like California opt to provide Medicaid coverage for these people.) During 1982 California restricted eligibility under this special Medicaid program by raising the amount of medical costs that must be deducted from a medically needy person's income before they become eligible for Medicaid and by forcing medically needy people to wait longer periods of time before they can claim Medicaid coverage. This restricts coverage primarily to costly long term institutional care and makes it harder to get coverage for less expensive outpatient treatment.
- Instituted a copayment "experiment" that includes imposition of copayments on services for children over age 12. Because the copayments are "experimental" they are excluded from the 1982 law that prohibits the imposition of copayments on children under age 18.
- Eliminated certain drugs from the list of prescribed drugs that the state covers under Medicaid.

### Additional Information

- Reported that despite the number of people dropped from the Medicaid rolls due to the federal AFDC changes passed in 1981 under the Omnibus Budget Reconciliation Act, the state's Medicaid enrollment stabilized at 2.9 million due to high unemployment.

## State Program Changes Implemented/Enacted during 1982

## COLORADO

### Title V

- Restricted services in one Children and Youth Project to children from birth to age 5, affecting 3,016 children (an 11 percent decrease).
- Decreased dental services at Children and Youth and Dental Projects, affecting 1,120 children (a 16 percent decrease).
- Placed new restrictions on Crippled Children's Services, affecting 2,250 children (a 25 percent decrease).
- Maintained Maternity and Infant Care Projects through funds diverted by cuts in Children and Youth Projects.
- Closed one Intensive Infant Care Project and replaced it with a mobile clinic.
- Reduced school health programs.
- Increased state Title V appropriations.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Imposed copayments for services provided through community mental health centers, including services to children.*
- Liberalized criteria for eligibility for Medicaid coverage for the elderly, blind, and disabled.

### Community Health Centers

- Cut 2 Community Health Centers; 59,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## CONNECTICUT

### Title V

- Limited Maternal and Child Health Services, starting in FY 1983, to children from birth to age 5; previously, there was no age limit.
- Eliminated coverage for severe asthma and respiratory disease in newborns, affecting some 50 children.
- Closed Crippled Children's Services hearing and screening clinics, affecting 1,000 children.
- Reduced funding for the prevention of lead-based paint poisoning by 13 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Community Health Centers

- Cut 2 Community Health Centers, 8,000 patients affected overall.

### Medicaid

- Eliminated 12,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Increased the amount of assets that a family can have and still qualify for AFDC and Medicaid benefits to $1,500; the previous level was $800.

## State Program Changes Implemented/Enacted During 1982

## DELAWARE

### Title V

- Limited Maternal and Child Health Services to preschoolers.
- Closed one Maternity and Infant Care Project and one Children and Youth clinic and the state's only Dental Project.
- Reduced funding for the prevention of lead-based paint poisoning by 19 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations.

### Medicaid

- Decreased the AFDC caseload by 10 percent as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. Affected 4,000 children.
- Eliminated Medicaid for people who were not receiving cash assistance. This change affects certain categories of foster care children.
- Eliminated AFDC and Medicaid coverage of 18- to 21-year-olds.
- Added Medicaid coverage of nurse-midwives and private duty nursing services.

### Community Health Centers

- Reported no changes.

## State Program Changes Implemented/Enacted During 1982

## DISTRICT OF COLUMBIA

### Title V

- Reduced services at 2 Children and Youth clinics by laying off physicians at a time when the patient caseload was increasing.
- Eliminated a summer program that provided medical, social, and rehabilitative services for handicapped children.
- Decreased health services for adolescents, services offered by the Improved Pregnancy Outcome Project, and services related to Sudden Infant Death Syndrome (SIDS).
- Reduced funding for the prevention of lead-based paint poisoning by 53 percent between FY 1981 and FY 1983.
- Increased the District's Title V appropriations.

### Medicaid

- Eliminated 5,823 people from the Medicaid program as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. Of the people who lost Medicaid, 4,050 were children.

### Community Health Centers

- Cut 2 Community Health Centers; 3,000 patients affected overall.

### Additional Information

- Reported a substantial increase in the use of public health services because of an influx of El Salvador refugees.

## State Program Changes Implemented/Enacted During 1982

### FLORIDA

### Title V

- Increased state Title V appropriations for one year only to avert any service cuts in FY 1982.

### Medicaid

- Eliminated 23,090 children from the Medicaid program as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 19- to 21-year-olds.
- Increased income eligibility criteria for Medicaid for nursing home residents, (primarily affects the elderly and disabled).

### Community Health Centers

- Cut 2 Community Health Centers; 6,000 people affected overall.

## State Program Changes Implemented/Enacted during 1982

## GEORGIA

### Title V

- Decreased staff at 3 Maternity and Infant Care Projects and 5 Intensive Infant Care Projects, serving a total of 12,000 people. The state estimated that 5,000 people are no longer served.
- Reduced funding for the prevention of lead-based paint poisoning by 28 percent between FY 1981 and FY 1983.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated 11,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Placed additional restrictions on the types of prescription drugs covered by Medicaid and the number of drug prescriptions covered per month for an individual.
- Limited the physician visits covered by Medicaid to 12 per year.
- Limited the number of inpatient hospital days covered by Medicaid to 20 per year.

### Community Health Centers

- Cut 3 Community Health Centers; 1,000 patients affected overall.

### Additional Information

- Reported by officials that there is an increase in the Title V caseload of patients unable to pay any fee.
- Planned to decrease public health funding by $2.5 million during FY 1983.

## State Program Changes Implemented/Enacted During 1982

## HAWAII

### Title V

- Placed new restrictions on the types of conditions treated under Maternal and Child Health and Crippled Children's Services, affecting, 2,500 children.
- Closed one Maternity and Infant Care Project, affecting some 100 children under age one.
- Maintained state Title V appropriations.

### Community Health Centers

- Cut one Community Health Center; 14,000 patients affected overall.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Liberalized the financial eligibility criteria for the medically needy program, which disproportionately affects elderly and disabled recipients.

## State Program Changes Implemented/Enacted During 1982

## IDAHO

### Title V

- Limited coverage of hospital care services to 10 days or $10,000, whichever comes first, for children receiving Crippled Children's Services. Formerly, the limit was 21 days.
- Reduced the age limit for children who can receive Crippled Children's Services from 21 to 18 years old.
- Closed several Family Planning clinics, affecting 18,000 women.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Restricted children's access to services under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children) to 2 visits in the first 5 years of life. According to the National Standards of the American Academy of Pediatrics, 8 health screenings are needed in the first 2 years of life alone.
- Imposed new limits on the cost of prescribed drugs that would be covered by Medicaid, from $35.00 per month to $30.00 per month.

### Community Health Centers

- Cut one Community Health Center; 7,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## ILLINOIS

### Title V

- Eliminated coverage of Maternal and Child Health inpatient services, including delivery care at Maternity and Infant Care clinics.
- Restricted well-child care to children under age one.
- Restricted the perinatal program to infants under 1,500 grams (3 pounds, 5 ounces) who are suffering from respiratory distress.
- Closed 2 Children and Youth Projects and 80 Maternal and Child Health general children's clinics. Some 1,200 children were affected by the clinic closings; an unknown number of children were affected by closing the Children and Youth Projects.
- Provided the city of Chicago with funds in the form of a block grant. The city closed one Children and Youth Project and one Maternity and Infant Care clinic, providing care to 16,000 pregnant women, 70 percent of whom were under 18 years old.
- Did not respond regarding state Title V appropriations.

### Medicaid

- Eliminated 25,000 people from Medicaid during the first month that the state implemented federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. Then, between February and August 1982, 4,105 people were added to the Medicaid rolls because of increased unemployment in the state.
- Limited the types of drugs covered under Medicaid.
- Increased the income levels that aged, blind, and disabled persons can have and qualify for Medicaid.

### Community Health Centers

- Cut 2 Community Health Centers; 8,000 patients affected overall.

### Additional Information

- Reported 10,000 additional outpatient visits to Cook County Public Hospital between June 1981 and June 1982. Emergency room transfers from other hospitals (known as "patient dumping") increased in 1982 from 150 per month to 450 per month because of private hospitals' unwillingness to treat the indigent.

## State Program Changes Implemented/Enacted During 1982

## INDIANA

### Title V

- Eliminated inpatient treatment services at the programs of projects.
- Maintained state Title V appropriations.

### Medicaid

- Imposed copayments on all Medicaid recipients not in institutions.*

### Community Health Centers

- Cut 2 Community Health Centers; 16,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related services. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## IOWA

### Title V

- Imposed a fee schedule for care previously provided without charge.
- Eliminated all inpatient treatment services under the Maternal and Child Health programs.
- Reduced mobile and regional clinics operated under Crippled Children's Services, affecting 1,940 children.
- Reduced funding for the prevention of lead-based paint poisoning by 100 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated or cut benefits, in October 1981, for 11,700 people as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Restricted the number of hospital days covered by Medicaid to 50 percent of the average length of stay.
- Reinstated the AFDC-U program, which provides AFDC benefits to families where two parents live in the home and the primary wage earner is unemployed. Some 790 families were either reinstated or became newly eligible for AFDC-U because of unemployment.
- Added Medicaid coverage for financially eligible children under age 21.
- Imposed the maximum allowable copayments on all optional services.*

### Community Health Centers

- Cut one Community Health Center; 7,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related services. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## KANSAS

### Title V

- Decreased support for one Children Youth Project, serving 4,200 children. The number of children affected is not yet known.
- Closed one Children and Youth Project and gave one third of the funds formerly used for this project to the county health department. The closing affected 5,200 children.
- Reported a decrease in the number of Medicaid-eligible children seen in Title V clinics because of the federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated 1,600 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act, followed by a rise in the number of people covered by Medicaid due to increased unemployment and the state's provision of AFDC and Medicaid for low-income unemployed families.
- Eliminated Medicaid coverage of 18- to 21-year-old students receiving AFDC.
- Required a stepparent's income to be counted in determining whether a child is eligible for Medicaid, even if the stepparent does not actually support the child.
- Imposed copayments on 18- to 20-year-olds receiving services under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children). These copayments are stil' legal because the children are over 18.

### Community Health Centers

- Reported no changes.

## State Program Changes Implemented/Enacted During 1982

## KENTUCKY

### Title V

- Imposed a fee schedule for Crippled Children's Services and Family Planning Services, leading to a drop in their use.
- Ceased providing hospitalization, outreach, support services, and nutritional services at a Maternity and Infant Care Project, affecting 500 pregnant women and 800 to 900 infants.
- Decreased funds for the Improved Pregnancy Outcome Project. Estimated that 584 of the 1,168 patients currently served would no longer receive treatment.
- Closed a Dental Project, affecting an unknown number of children.
- Reduced funding for the prevention of lead-based paint poisoning by 52 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 30,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Reduced outreach services under the Early and Periodic Screening, Diagnosis, and Treatment Program, (Medicaid's preventive health care program for children).
- Reduced the number of hospital days covered by Medicaid from 21 days per admission to 14 days per admission. As a result, the Title V Crippled Children's Services program, which is more limited in scope, is being forced to pay for additional hospital days.
- Eliminated Medicaid coverage of dental bridges, prosthetics, orthodontics, and dentures.
- Eliminated Medicaid coverage of mental health services for people in long term care institutions (which would include handicapped children).

### Community Health Centers

- Cut 2 Community Health Centers; 3,000 patients affected overall.

### Additional Information

- Reported severe impact on Title V because of Medicaid cuts. Hardest hit are young pregnant women and children ages 18 to 21.
- Increased transfer of poor patients ("patient dumping") from other hospitals to the University of Louisville and University of Kentucky Hospitals.

## State Program Changes Implemented/Enacted During 1982

## MISSISSIPPI

### Title V

- Reprioritized resources on very young children and pregnant women served by maternal and child health programs.
- Eliminated the Supplemental Security Income/Disabled Children's program.
- Tightened eligibility criteria for all Title V programs, with fewer services for children whose eligibility falls in a "gray area."
- Maintained state Title V appropriations for FY 1982. Cushioned Title V against the financial blow during 1982 by carrying over funds to the Title V block grant from the Low Income Energy Assistance Program.

### Medicaid

- Eliminated 24,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Limited Medicaid coverage of outpatient services to 18 per year.
- Limited Medicaid coverage of drugs to 6 prescriptions per month.
- Imposed copayments on Medicaid services.*
- Added Medicaid coverage of children in state-supported foster care placements.
- Increased Medicaid coverage of hospital stays from 20 days per year to 30 days per year.

### Community Health Centers

- Reached 5,000 additional people through Community Health Centers during 1982.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## MAINE

### Title V

- Imposed new copayments on Well-Child, Adolescent Pregnancy, and Family Planning Services.
- Closed one Maternity and Infant Care Project, one Children and Youth Project, and one Dental Project, affecting 1,000 children.
- Increased state appropriations for Well-Child Clinics in FY 1982 but decreased the state's overall appropriations for the Title V Maternal and Child Health program in FY 1983.

### Medicaid

- Estimated 6,807 people initially eliminated from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Reported a 52 percent increase in AFDC and Medicaid applications between January and August 1982 due to unemployment.
- Imposed copayments on optional drug services.*
- Increased the financial eligibility criteria for the state's medically needy program, affecting primarily aged and disabled persons.

### Community Health Centers

- Cut 4 Community Health Centers; 7,000 patients affected overall.

### Additional Information

- Reported a substantially higher death rate from all causes among low-income children, according to a study conducted by the Maine health department.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related services. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## LOUISIANA

### Title V

- Imposed copayments on Family Planning Services.
- Eliminated coverage of prescribed drugs at Children and Youth Projects and Maternity and Infant Care Projects.
- Reduced funding for the prevention of lead-based paint poisoning by 19 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 50,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.

### Community Health Centers

- Reduced Community Health Center programs; 2,000 patients affected overall.

### Additional Information

- Reported increased use of Charity Hospital in New Orleans due to unemployment.

## State Program Changes Implemented/Enacted During 1982

## MASSACHUSETTS

### Title V

- Lowered the age limit for children who can receive Crippled Children's Services from 21 to 18 years old, causing between 500 and 1,500 children to lose services.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 25,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added Medicaid coverage of nurse-midwife services.

### Community Health Centers

- Cut 9 Community Health Centers; 27,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## MARYLAND

### Title V

- Imposed a sliding fee scale for Crippled Children's Services, resulting in less use of services. Over the next two years, the state expects a 20 percent reduction in the number of children seen, or 5,000 fewer children.
- Limited Maternity and Infant Care Services to high-risk pregnancies.
- Reduced staff at Maternity and Infant Care and Children and Youth sites in Baltimore, leading to a 10 percent decline in visits.
- Cut funds for the Improved Pregnancy Outcome Project by 50 percent.
- Reduced funding for the prevention of lead-based paint poisoning by 27 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 20,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. In the latter part of 1982, received an increased number of applications due to growing unemployment.
- Increased AFDC payments by 9 percent.
- Increased financial eligibility criteria for the medically needy program, disproportionately affecting aged and disabled people.
- Lifted a 20-day cap on hospital care for infants.
- Added Medicaid coverage of orthodontic care for children.
- Added Medicaid coverage of inpatient psychiatric day treatment services.

### Community Health Centers

- Cut 4 Community Health Centers; 31,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## MINNESOTA

### Title V

- Limited Children and Youth Project services to children from birth to age 6.
- Cut by 5 percent the preschool screening program, a special state program to provide health assessments to all preschoolers.
- Reduced all state appropriations for 1982, including Title V appropriations, by 20 percent across-the-board.

### Community Health Centers

- Cut 5 Community Health Centers; 42,000 patients affected overall.

### Medicaid

- Eliminated 5,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added Medicaid coverage of certain children in state-supported foster care placements.

## State Program Changes Implemented/Enacted During 1982

## MICHIGAN

### Title V

- Eliminated 2 Improved Pregnancy Outcome Projects, genetic disease services, metabolic disease center, early childhood development. Some 200 children affected by the elimination of the childhood development program.
- Closed 3 Maternity and Infant Care Projects serving 6,000 women and 11,000 children.
- Closed 2 Family Planning Projects serving 58,500 women. Some 9,700 unintended pregnancies are anticipated.
- Reduced funding for the prevention of lead-based paint poisoning by 25 percent between FY 1981 and FY 1983.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated 15,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act, but the actual number of eligible people under the state's general assistance program has increased because of the recession.
- Reduced the amount of income that a person can have and still qualify for Medicaid coverage as either categorically or medically needy.
- Eliminated certain drugs from the list of prescribed drugs the state covers under Medicaid and added restrictions on Medicaid coverage for prescribed drugs.
- Imposed copayments for nongeneric drugs and certain other optional services.*

### Community Health Centers

- Cut 5 Community Health Centers; 15,000 patients affected overall.

### Additional Information

- Reported that in 1981, the state suffered the greatest increase in infant mortality since World War II, according to a 1982 study issued by the state health department. Neighborhoods in Detroit are suffering an "epidemic" of infant deaths--33 per 1,000 live births. The state attributes the rise to its economic crisis.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

### MISSOURI

### Title V

- Terminated Family Planning Services; 2,500 to 4,000 women affected.
- Reduced services at 2 Maternity and Infant Care Projects, one Children and Youth Project, and 2 Dental Projects. Nutrition and social services eliminated at Maternity and Infant Care Projects. Some 5,300 people affected by the closures and reductions.
- Reduced funding for the prevention of lead-based paint poisoning by 93 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 37,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated the AFDC-U program, which provided coverage for two-parent families where one parent is unemployed. Increased the number of eligible people under other categories of Medicaid assistance because of the recession.
- Allowed stepparent's income to be counted in determining if a child is eligible for Medicaid, even if the stepparent does not actually support the child.
- Limited Medicaid coverage of physician and outpatient services to 2 per month.
- Limited Medicaid coverage of eyeglass replacements to once every 2 years.

### Community Health Centers

- Cut one Community Health Center; 25,000 patients affected overall.

### Additional Information

- St. Louis Hospitals required Medicaid-eligible pregnant women to pay a $250 preadmission deposit for "nursery" costs. Patients unable to pay are being transferred to public hospitals.
- Officials surmised that families are splitting up so that a parent and child can qualify for welfare and Medicaid as a result of the elimination of AFDC.

## State Program Changes Implemented/Enacted During 1982

## MONTANA

### Title V

- Imposed new financial restrictions on eligibility, leading to a 5 percent drop in eligible families.
- Reduced the age of children eligible for Title V services from 21 to 18 years old.
- Eliminated all programs of projects and redistributed the funds to the counties to use at their discretion.
- Eliminated treatment for gastrointestinal tract problems and cystic fibrosis, affecting an unknown number of children. Eliminated cleft palate program.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 4,620 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated the AFDC-U program for two-parent families where one parent is unemployed.
- Eliminated Medicaid coverage of 19- to 21-year-old students.
- Cut back outreach under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children).

### Community Health Centers

- Cut one Community Health Center; 4,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## NEBRASKA

### Title V

- Did not respond to CDF Title V survey.
- Reduced funding for the prevention of lead-based paint poisoning 17 percent between FY 1981 and FY 1983.

### Community Health Centers

- Cut one Community Health Center; 2,000 patients affected overall.

### Medicaid

- Experienced no substantial maternal and child health-related cuts.

## State Program Changes Implemented/Enacted During 1982

## NEVADA

### Title V

- Closed one Children and Youth Project clinic, affecting some 100 children.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated 906 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. For the first time in history, however, AFDC applications increased during the summer because of the recession.
- Reduced screenings under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children) from 12 to 10 over a child's lifetime, although the National Standards of the American Academy of Pediatrics state that 8 health examinations are needed in the first 2 years of life alone.
- Imposed copayments for: medically necessary transportation (including ambulance service), long term institutional care, dental care, dentures, eyeglasses, prosthetic devices, podiatrist care, and chiropractic services.*
- Increased copayments for drugs.*
- Eliminated Medicaid coverage of "physician-designated emergency" prescription drugs (the state's Medicaid program used to cover additional drugs that physicians prescribed due to an "emergency" medical condition).

### Community Health Centers

- Cut one Community Health Center; 3,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## NEW HAMPSHIRE

### Title V

- Eliminated a Children and Youth Project serving 900 to 1,000 children.
- Eliminated dental care, affecting 500 to 1,000 children.
- Eliminated Sudden Infant Death Syndrome (SIDS) services, affecting 23 children.
- Transferred funds from the Prevention Block Grant to save treatment services for 300 handicapped children.
- Maintained state Title V appropriations.

### Medicaid

- Imposed new copayments on drugs covered under Medicaid.*
- Limited outpatient and physician visits covered by Medicaid to 12 per year.
- Limited Medicaid coverage of rural health clinic services to 12 visits per year.

### Community Health Centers

- Reported no changes.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## NEW JERSEY

### Title V

- Eliminated Supplemental Security Income/Disabled Children's program.
- Reduced the visiting nurse program by 85 percent.
- Reduced funding for the prevention of lead-based paint poisoning by 2 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations.

### Community Health Centers

- Cut 3 Community Health Centers; 6,000 patients affected overall.

### Medicaid

- Eliminated 78,000 people from Medicaid. Of these, 73,000 lost Medicaid coverage as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.

## State Program Changes Implemented/Enacted During 1982

## NEW MEXICO

### Title V

- Dropped coverage for children suffering from respiratory distress syndrome.
- Decreased services for well-child visits, comprehensive health services for high-risk infants, prenatal and family planning services, case management for children receiving Supplemental Security Income. Affected 4,350 children.
- Decreased Children and Youth Project services; 250 to 300 children will no longer be served.
- Decreased Maternity and Infant Care Project services; 300 women and 100 infants will no longer be served.
- Laid off 5 staff people from the Supplemental Feeding Program for Women, Infants, and Children (WIC) and reduced the service caseload.
- Maintained state Title V appropriations.

### Community Health Centers

- Cut 2 Community Health Centers; 7,000 patients affected overall.

### Medicaid

- Eliminated 1,700 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.

## State Program Changes Implemented/Enacted During 1982

## NEW YORK

### Title V

- Cut the Children and Youth Projects by 24 percent in order to continue Maternity and Infant Care Projects at the same level. The cuts affected 7,000 children who were transferred to another Children and Youth Project site.
- Decreased enrollment and outreach for children without third party reimbursement in other Children and Youth Projects.
- Closed one Dental Project serving 500 to 1,000 children.
- Implemented a school health program in FY 1982.
- Reduced funding for lead-based paint prevention programs, vaccines, and programs for handicapped children. Funds for lead-based paint prevention dropped 19 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations but cut appropriations to New York City by 18 percent.

### Community Health Centers

- Cut 12 Community Health Centers; 22,000 patients affected overall.

### Medicaid

- Eliminated 11,512 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. Applications for Medicaid increased during the latter part of 1982 due to long term unemployment.
- Increased financial eligibility criteria for the medically needy program, disproportionately affecting the aged and disabled.

## State Program Changes Implemented/Enacted During 1982

### NORTH CAROLINA

### Title V

- Phased out comprehensive health care at Maternity and Infant Care Projects; cut hospitalization and dental care.
- Eliminated speech, hearing, vision, and dental services at Children and Youth Projects.
- Reduced funding for the prevention of lead-based paint poisoning by 38 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 30,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added Medicaid coverage of women pregnant for the first time.
- Increased financial eligibility criteria for the institutionalized and medically needy, disproportionately affecting the aged and disabled.
- Eliminated Medicaid coverage of 19- to 21-year-olds.
- Removed the limit on the number of mental health visits covered by Medicaid.
- Increased the limit on the number of prescribed drugs and physician services covered by Medicaid.
- Imposed the maximum allowable copayments on Medicaid services under federal law.*

### Community Health Centers

- Cut one Community Health Center; 2,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## NORTH DAKOTA

### Title V

- Eliminated orthopedic services at 41 to 45 cardiac clinics.
- Decreased the hours that Children and Youth Projects operate, affecting 400 children who are no longer served.
- Closed a Maternity and Infant Care Project serving 70 to 80 women.
- Closed a Dental Project serving 200 to 300 children.
- Closed an Intensive Infant Care Project serving 200 infants.
- Maintained state Title V appropriations.

### Community Health Centers

- Reported no changes.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Increased the amount of income that people can have and still qualify for Medicaid's medically needy program. This primarily affects elderly individuals.

## State Program Changes Implemented/Enacted During 1982

## OHIO

### Title V

- Reduced 2 Maternity and Infant Care Projects, 2 Children and Youth Projects, and Family Planning Services, affecting a total of 5,000 to 6,000 people.
- Reduced services at University Affiliated Facilities, affecting 2,882 children.
- Reported a general drop in services between 5 and 10 percent. Reporting sites also indicated a 30 to 50 percent increase in the length of time clients must wait for appointments.
- Reduced funding for the prevention of lead-based paint poisoning by 60 percent between FY 1981 and FY 1983, with a 41 percent drop in lead screening among reporting local Title V projects.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 88,400 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act, but later in 1982, 25,000 children gained Medicaid coverage through the AFDC-U program for two-parent unemployed families. Categories of children eliminated by 1981 AFDC cuts are different from children gaining Medicaid in the latter half of the year.
- Lowered the number of hospital days covered by Medicaid from 60 days per year to 30 days per year except for crippled children.
- Imposed copayments on certain services covered by Medicaid.*

### Community Health Centers

- Cut 5 Community Health Centers; 19,000 patients affected overall.

### Additional Information

- Reported by the state health department that there has been a substantial rise in mortality rates in areas suffering from high unemployment.
- Reported by the county health departments that they are seeing an increasing number of children from unemployed families who need care and have no health insurance.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## OKLAHOMA

### Title V

- Reported no reductions in Title V services.
- Maintained state Title V appropriations.

### Community Health Centers

- Reduced Community Health Centers' services; 4,000 patients affected overall.

### Medicaid

- Eliminated 17,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.

## State Program Changes Implemented/Enacted During 1982

## OREGON

### Title V

- Began looking for families who can pay a percentage of the cost of any care rendered.
- Limited inpatient hospital care to 15 days per year.
- Reduced services in University Affiliated Facilities, affecting 250 children.
- Decreased state Title V appropriations.

### Medicaid

- Eliminated 10,479 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Reduced Medicaid coverage of inpatient hospital days from 21 days per year to 18 days per year.
- Limited the dental services provided under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children).
- Increased copayments on optional services covered by Medicaid.*

### Community Health Centers

- Cut 5 Community Health Centers; 1,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## PENNSYLVANIA

### Title V

- Cut back the comprehensiveness of services provided through Maternity and Infant Care Projects. Cut funds for the projects by 27 percent.
- Reduced the scope of care provided through Children and Youth Projects and may begin reducing the number of children seen.
- Discontinued a sickle cell project and reduced services for genetic diseases.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 12,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. At the same time, the total number of Medicaid-eligible people increased because of the recession.
- Increased financial eligibility criteria under the medically needy program. This primarily affects elderly people.

### Community Health Centers

- Cut 6 Community Health Centers; 29,000 patients affected overall.

### Additional Information

- Reported Crippled Children's Services getting more requests for help from the unemployed.
- Reported increase in the number of families seeking public health services because of rising unemployment.
- Stopped paying birth and hospital stay costs for uninsured women. City officials now report that pregnant women are foregoing prenatal care because of the large preadmission deposits sought by hospitals.

## State Program Changes Implemented/Enacted During 1982

## RHODE ISLAND

### Title V

- Cut back on the scope of preventive health services offered through Children and Youth Projects.
- Closed one Children and Youth Project, affecting 500 children. The state is negotiating with private providers to treat these children.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 4,500 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Imposed copayments on the medically needy for Medicaid services.*
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Eliminated Medicaid coverage of podiatry, eyeglasses, and ambulance services for the medically needy.

### Community Health Centers

- Cut one Community Health Center; 2,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## SOUTH CAROLINA

### Title V

- Reduced financial eligibility levels for Crippled Children's Services, eliminating 1,585 children from the program.
- Reduced Title V coverage for inpatient hospitalization from 60 days to 14 days.
- Reduced the age limit for children who can receive Crippled Children's Services from 21 to 18 years old.
- Eliminated coverage of asthma, juvenile diabetes, and internal tibia torsion.
- Reduced funding for the prevention of lead-based paint poisoning by 41 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 6,000 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Limited the number of hospital days covered by Medicaid to 12 days per year.
- Limited Medicaid coverage of prescribed drugs to 3 per month.
- Increased financial eligibility criteria for the institutionalized. This affects elderly people and disabled persons.

### Community Health Centers

- Cut 2 Community Health Centers; 6,000 patients affected overall.

### Additional Information

- Reported rise in the number of families seeking public health services, because of unemployment.

## State Program Changes Implemented/Enacted During 1982

## SOUTH DAKOTA

### Title V

- Lowered the age limit for children who can receive Maternal and Child Health services from 21 to 18 years old.
- Closed all programs of projects; one Maternity and Infant Care Project, affecting 41 women; one Children and Youth Project, affecting 845 children; one Dental Project affecting 40 to 50 children.
- Maintained state Title V appropriations.

### Community Health Centers

- Cut 2 centers; 6,000 patients affected overall.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. However, the state maintained the same number of Medicaid-eligible persons, because of an economic crisis in the state.

## State Program Changes Implemented/Enacted During 1982

## TENNESSEE

### Title V

- Eliminated coverage of asthma, hernia, and trauma treatment in the chronic disease program.
- Closed 2 Children and Youth Projects; number of children affected unknown.
- Closed 2 Dental Projects; number of children affected unknown.
- Limited coverage of hospital care from 50 days to 20 days.
- Increased state Title V appropriations, with a special grant for county-based maternity care programs.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added coverage of maternity care for unborn financially needy children (a pregnant woman with a husband living in the home).
- Added Medicaid coverage of children suffering from certain chronic long term diseases.
- Limited Medicaid coverage of dentist and physician visits to 24 per year.
- Limited Medicaid coverage of prescribed drugs to 7 per month.
- Limited Medicaid coverage of hospital care to 14 days per year.
- Eliminated Medicaid coverage of inpatient hospital, pharmacy, and outpatient care for all medically needy beneficiaries except children participating in the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children).

### Community Health Centers

- Cut 2 Community Health Centers; 10,000 patients affected overall.

### Additional Information

- Reported increase in the number of people seeking public health services, due to unemployment and the loss of health insurance.

## State Program Changes Implemented/Enacted During 1982

## TEXAS

### Title V

- Closed a Children and Youth Project in Dallas, number of children affected unknown.
- Reduced funding for the prevention of lead-based paint poisoning by 100 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Community Health Centers

- Cut one Community Health Center; 26,000 people affected overall.

### Medicaid

- Eliminated 23,500 children from Medicaid due to federal AFDC changes passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of most vitamins and antianemia drugs.

## State Program Changes Implemented/Enacted During 1982

## UTAH

### Title V

- Postponed all major surgery because the agency ran out of money two to three months prior to the start of the new fiscal year.
- Lowered the age limit for children eligible to receive Maternal and Child Health and Crippled Children's Services from 21 to 18 years old. Resulted in 5 percent fewer patients, including 300 fewer receiving Crippled Children's Services and 2,000 fewer Maternal and Child Health patients.
- Increased state Title V appropriations.

### Medicaid

- Eliminated an unknown number of children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Added 728 people to Medicaid between July 1981 and July 1982 because of the recession.
- Eliminated the AFDC-U program for two-parent families where one parent is unemployed.
- Limited Medicaid coverage of hospital stays for normal deliveries to 2 days.
- Added Medicaid coverage of delivery services provided in birthing centers.
- Switched from an absolute limit on the number of hospital days covered by Medicaid to a ceiling based on the average length of hospital stays.

### Community Health Centers

- Cut one Community Health Center; 21,000 patients affected overall.

### Additional Information

- Reported an increase in the use of public health services, because of rising unemployment.

## State Program Changes Implemented/Enacted During 1982

## VERMONT

### Title V

- Closed 3 Children and Youth Projects between 1978 and 1982, affecting 600 children.
- Closed one Dental Project and one Family Planning Project.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 2,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Imposed $1.00 copayment on all purchased drugs covered by Medicaid.*

### Community Health Centers

- Cut one Community Health Center; 3,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## VIRGINIA

### Title V

- Dropped treatment of acute term and orthopedic programs.
- Closed one Children and Youth Project in Charlottesville; the University of Virginia is reportedly picking up these services.
- Reduced funding for the prevention of lead-based paint poisoning by 60 percent between FY 1981 and FY 1983.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 4,200 children from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act.
- Eliminated Medicaid coverage of 18- to 21-year-olds.
- Eliminated Medicaid coverage of certain families receiving state-funded child care services.
- Limited Medicaid coverage of inpatient care to 75 percent of the average length of hospital stays, up to 21 days.
- Imposed copayments on clinic services covered by Medicaid.*
- Restricted Medicaid coverage of physician hospital visits.
- Added Medicaid coverage of services provided by psychologists.

### Community Health Centers

- Cut 2 Community Health Centers; 9,000 patients affected overall.

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* As of October 1982, copayments are legally prohibited for children under age 18 and for eligible pregnant women for pregnancy-related conditions. See note under ALABAMA.

## State Program Changes Implemented/Enacted During 1982

## WASHINGTON STATE

### Title V

- Lowered the age limit for children who can receive Crippled Children's Services from 21 to 18 years old, resulting in the elimination of some 100 children from the program.
- Reduced the number of children served through Children and Youth Projects by 20 to 25 percent.
- Increased state Title V appropriations.

### Community Health Centers

- Cut 2 Community Health Centers; 23,000 patients affected overall.

### Medicaid

- Eliminated 50,000 people from Medicaid as a result of both federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act and the state's elimination of the AFDC-U program, which provided coverage for two-parent families with one unemployed parent. Elimination of the AFDC-U program accounted for 38,000 of the 50,000 people eliminated from Medicaid.
- Eliminated Medicaid coverage of Early and Periodic Screening, Diagnosis, and Treatment services (Medicaid's preventive health care program for children) for medically needy children. The program includes health assessments, vision, dental, and hearing services.

## State Program Changes Implemented/Enacted During 1982

## WEST VIRGINIA

### Title V

- Closed one Children and Youth Project, affecting 500 children.
- Closed one Dental Project, affecting 500 children.
- Reduced Family Planning Services affecting 300 women and causing 1,500 fewer visits.
- Cut child development and mental retardation services, affecting 500 people. The Supplemental Feeding Program for Women, Infants, and Children (WIC) previously was housed in the child development clinics and it is not clear if another location can be found.
- Increased state Title V appropriations.

### Medicaid

- Eliminated 512 people from Medicaid between October 1981 and October 1982 as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act. However, the entire Medicaid caseload increased by 784 people because the number of people eligible for the AFDC-U program due to unemployment rose by 1,296 individuals.
- Limited Medicaid coverage of hospital care to 20 days per year.
- Limited Medicaid coverage of emergency room visits.
- Restricted the types of prescribed drugs covered by Medicaid.
- Eliminated medicaid pharmacy coverage for medically needy beneficiaries.

### Community Health Centers

- Cut 2 Community Health Centers; 25,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## WISCONSIN

### Title V

- Dropped genetics services, affecting 2,500 children.
- Scheduled reductions in the Family Planning Projects, cutting services for 14,500 patients.
- Reported will decrease Dental Projects in FY 1983.
- Decreased hearing services by 50 percent.
- Reduced funding for the prevention of lead-based paint poisoning by 60 percent between FY 1981 and FY 1983.
- Maintained state Title V appropriations.

### Medicaid

- Eliminated 20,000 people from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act; caseload increased by 6,825 between January and June 1982 because of rising unemployment. The state noted that the average monthly growth in AFDC applications is 11.5 percent.
- Limited outreach services under the Early and Periodic Screening, Diagnosis, and Treatment Program (Medicaid's preventive health care program for children).
- Eliminated Medicaid coverage of over-the-counter (nonprescription) drugs.
- Eliminated Medicaid coverage of certain categories of care in Intermediate Care Facilities, affecting a substantial number of handicapped children.

### Community Health Centers

- Cut 3 Community Health Centers; 4,000 patients affected overall.

## State Program Changes Implemented/Enacted During 1982

## WYOMING

### Title V

- Lowered the age limit for children who can receive Crippled Children's Services from 21 to 19 years old.
- Decreased state Title V appropriations.

### Community Health Centers

- Wyoming has no Community Health Centers.

### Medicaid

- Eliminated 1,400 people (18 percent of the caseload) from Medicaid as a result of federal AFDC cuts passed in 1981 under the Omnibus Budget Reconciliation Act, but Medicaid eligibility has remained stable because of long term unemployment in the state. The state has no AFDC-U program to cover two-parent unemployed families. State officials reported that families were breaking up to qualify for welfare and Medicaid.

Appendix

## GLOSSARY

AFDC-U: An optional coverage category under the federal AFDC program, which provides federal funds to states to provide AFDC and Medicaid to financially eligible two-parent families in which the primary wage earner is unemployed. This is known as the AFDC-U (or AFDC-Unemployed Parent) program.

Children and Youth Projects: Special comprehensive clinics funded under the Title V Maternal and Child Health Block Grant that provide complete pediatric care, including inpatient and outpatient care and vision, dental, and hearing services to children.

Crippled Children's Services: Programs funded under the Title V Maternal and Child Health Block Grant that provide a range of diagnostic, treatment, and rehabilitative services to children with crippling conditions, such as orthopedic problems and cleft palates. Each state sets its own definition of what constitute crippling conditions.

Dental Projects: Special clinics funded under the Title V Maternal and Child Health Block Grant that provide comprehensive dental care to children.

Early and Periodic Screening, Diagnosis, and Treatment Program (EPSDT): Medicaid's preventive health care program for children. It provides periodic health assessments to children to identify, diagnose, and treat medical, dental, vision, hearing, and developmental problems.

Family Planning Services: Programs funded under the Title V Maternal and Child Health Block Grant that provide health examinations, counseling on family planning options, and family planning prescriptions, items, or devices.

Financially Needy Children: Often known as "Ribicoff" children, these children come from families that have incomes at or below the level required to receive AFDC benefits, but do not fit the categorical requirements for receiving AFDC (for example, because both parents live in the home and the child is therefore not deprived of parental support because of one parent's absence, incapacity, or unemployment). States can choose to provide Medicaid coverage to these children even though they do not qualify for AFDC.

Improved Pregnancy Outcome Projects: Demonstration programs funded with federal Title V Maternal and Child Health Block Grant funds that are designed to lower infant mortality rates in states or areas where these rates are high by providing comprehensive health services to poor pregnant women.

Intensive Care Units: Provide inpatient hospital care for extremely ill infants at risk of death or severe physical or mental impairment (often known as "high risk" infants).

Intensive Infant Care Projects: Programs funded under the Title V Maternal and Child Health Block Grant that provide inpatient care and follow up treatment for infants at high risk of physical or mental impairment. These projects often include intensive care units.

Intermediate Care Facilities: Nursing homes for persons who require long term institutional care that goes beyond mere custodial care but do not need the highly skilled care offered in skilled nursing facilities.

Lead-Based Paint Prevention Programs: Federally funded programs to screen children for lead-based paint poisoning and to operate programs to prevent the use of lead-based paint. The lead-based paint prevention program was included in the Title V Maternal and Child Health Block Grant in 1981.

Maternity and Infant Care Projects: Special clinics funded under the Title V Maternal and Child Health Block Grant that provide comprehensive prenatal, delivery, and postpartum care for mothers and comprehensive health care for infants.

Medically Needy: Persons whose incomes are too high to qualify for cash assistance under AFDC or the Supplemental Security Income (SSI) programs but inadequate to cover the cost of necessary health care. States can choose to provide Medicaid coverage to these people.

Perinatal Care: Care given to a mother and child from the time of conception through the first year of life.

PKU: Phenylketonuria, a congenital deficiency of an essential body enzyme that can lead to seizures, severe mental retardation, and brain damage without proper care and treatment. Fetuses can be screened for this condition during a woman's pregnancy and newborns can also be screened for PKU and provided with treatment to prevent brain damage.

Program of Projects: The "catch-all" term for the special comprehensive care projects funded under the Title V Maternal and Children Health Block Grant program. The projects include Maternity and Infant Care Projects, Children and Youth Projects, Family Planning Projects, Dental Projects, and Intensive Infant Care Projects. In 1981 the projects together served close to 5 million mothers, infants, and children nationwide. The Title V Maternal and Child Health Block Grant, unlike the Title V program that existed prior to 1981, does not require states to continue to run these projects.

Sudden Infant Death Syndrome (SIDS): An illness of unknown origin, often known as "crib death," that causes sudden death in infants and very young children. Services to help SIDS children include the funding of research, identifying children who are likely to be SIDS-prone and providing their families with monitoring devices, and grieving counseling for families who have lost a child to SIDS.

Supplemental Feeding Program for Women, Infants, and Children (WIC): A federal program that provides nutritional, supplemental food to low-income pregnant women, infants, and young children, as well as education regarding nutrition.

Supplemental Security Income/Disabled Children's Program: Ensures that disabled children who receive financial assistance through the Supplemental Security Income Program are referred to the state's crippled children's agency or another appropriate agency to determine their need for medical, educational, and social services. The federal program was eliminated in 1981 under the Omnibus Budget Reconciliation Act and included in the Title V Maternal and Child Health Block Grant.

University Affiliated Facilities: These facilities, funded under the Title V Maternal and Child Health Block Grant and with other funds, provide inpatient and outpatient services to high-risk infants and children and extensive health training to all levels of medical personnel.

Well-Child Care: The provision of general preventive services to children, including immunizations and checkups, through the use of Title V Maternal and Child Health Block Grant funds.

CENTER
FOR
LAW
AND
SOCIAL
POLICY

1751 N STREET N.W. WASHINGTON D.C. 20036 202 872

28 March 1983

Honorable Lee H. Hamilton
Vice Chairman
Joint Economic Committee
Dirksen Senate Office Building
Washington, DC 20510

Dear Representative Hamilton:

Thank you for the opportunity to submit written testimony on New Federalism. The enclosed statement was prepared by Paula Roberts, a senior attorney with the Center for Law and Social Policy, and is based on a survey which she conducted last year on implementation of the block grants enacted in the Omnibus Budget Reconciliation Act of 1981. Also enclosed is a summary of the results of the survey, and a profile of each of the states. We hope it will be useful to you in your deliberations.

Sincerely,

Alan W. Houseman

Alan W. Houseman
Director

Enclosures

AWH/nll

March 1983

WRITTEN TESTIMONY OF PAULA ROBERTS OF THE CENTER FOR LAW AND SOCIAL POLICY FOR THE JOINT ECONOMIC COMMITTEE OF THE UNITED STATES CONGRESS.

Thank you for the opportunity to present testimony on the impact of President Reagan's New Federalism. My testimony is largely based upon a study I conducted, in the late summer and early fall of 1982, on the impact of the nine block grants contained in the Omnibus Budget Reconciliation Act (OBRA) of 1981 on each of the states and the District of Columbia. Besides reviewing all of the published material on block grants, I interviewed at least one person in 47 of the states to gather first-hand information on what was happening at the state and local levels.

In summary, I found the following:

- almost every state cut services to those in need. Child day care, family planning services and homemaker/chore services to the elderly were hardest hit. Maternal and Child Health services were severely affected. Grants under the Low-Income Energy Assistance program were reduced. Since these are programs aimed primarily at low-income persons, the "truly needy" were, indeed, harmed.

- there was very little program innovation. States, faced with dwindling state and federal revenues, were preoccupied with budget cuts, not program innovation.

- while some states did reduce their administrative costs, most did not. Moreover, there is some evidence that those administrative savings which occurred may be harmful to programs in the long run.

- most states ignored the public participation requirements for FY 1982, and for FY 1983. Citizens were frequently unable to participate in the decision-making process.
- federal monitoring of state activities has been non-existent. Federal agencies do not know what the states are doing with the money, are not monitoring compliance, and are ignoring civil rights enforcement.

## Service Cuts

The Omnibus Budget Reconciliation Act of 1981 (OBRA) brought severe cuts in the basic income maintenance programs. Benefits were reduced and/or eligibility was restricted in Aid to Families with Dependent Children (AFDC), Food Stamps and Supplemental Security Income (SSI). In many states, loss of AFDC eligibility meant automatic loss of Medicaid coverage. The persons most affected by these cuts were the working poor, the elderly and female-headed families. Almost 365,000 families were terminated from AFDC and another 260,000 had their benefits reduced.

At the same time, facing severe fiscal crises of their own, eight states reduced AFDC benefit levels and three eliminated their AFDC-U programs. Seven states reduced benefits in their general assistance programs. Almost every state either cut services, restricted eligibility or imposed fees in Medicaid.

Thus, a combination of the income maintenance cuts in OBRA and severely depressed state economies snipped through the fibers of the "safety net" leaving large holes. At the same time, the second line of defense--programs providing health care, social services, energy assistance and the like--were also being cut, and turned into block grants. For example,

- the Social Services Block Grant--designed to provide a range of services to low- and moderate-income persons from child day care and child abuse services to family planning to chore services for the elderly--was cut 20%.
- the Maternal and Child Health Block Grant--designed to serve low-income women and children with pre- and post-natal care, adolescent pregnancy assistance and child health protection--was cut 24%.
- the Primary Care Block Grant--which funds community-based health centers that overwhelmingly serve low- and moderate-income citizens--was cut 25%.
- the Community Services Block Grant--aimed exclusively at the poor--was cut 34%.

In other words, those persons staggered by federal and state public benefits cuts were also affected by cuts in the programs which might have partially ameliorated their plight. The low-income, working mother in Pennsylvania who was cut from AFDC also lost her Title XX day care slot. The working poor mother in New Jersey who lost AFDC and Medicaid could not turn to a Maternal and Child Health Clinic to get medical care for her family. The unemployed father in Oregon could not go to a Community Action Agency for job counseling and training. The elderly couples whose Food Stamps were reduced could not stretch their budget by getting a larger energy assistance grant.

In sum, one cannot look at the cuts in public benefits individually in order to assess their impact. Rather, one must recognize that most low-income people rely on a variety of programs to help them survive. When all of these programs are cut, there is no longer a "safety net for the truly needy."

### Program Innovation

Is it possible to be innovative in an era of budget cuts? If one is speaking in terms of programmatic innovation the answer--at least based on FYs 1982 and 1983 block grant experience--is a resounding "no!" For FY 1982, 13 states simply implemented pro rata across-the-board reductions in all of their existing programs which were block grant funded; 17 made pro rata cuts in everything but social services;* nine made pro rata cuts in all but maternal and child health. These trends continued into FY 1983: pro rata cuts in existing services were commonplace. However, while in FY 1982 many states were able to roll over previous years funds and avoid severe disruption, this was not the case in FY 1983. This year states are running out of money halfway through the fiscal year and having to terminate services outright. States as diverse as Georgia and Iowa, for example, are eliminating homemaker services and job training for the handicapped because social services block grant funds have run out.

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*Of these, ten cut child day care most severely.

The only programmatic innovation to emerge was that a number of states chose to "block grant" some of their block grant funds to the counties. Pennsylvania, for example, uses some of its social services money to fund an Adult Services Block Grant to the counties. Iowa has partially block granted its social services money; Minnesota block grants all of its social services funds to the county level. Montana turned Maternal and Child Health and Community Services money into county block grants. Early indications are that these block grants created less innovation and more bureaucracy at the local level.

Fiscally, states took advantage of their flexibility in two ways: 1) in the absence of match requirements they reduced the amount of state money going into the programs, and 2) they transferred money between the block grants. Seven states reduced their state contribution outright. Texas even enacted legislation specifying that once federal matching requirements were reduced or eliminated the "state share" must also be reduced or eliminated.

Thirty-four states transferred funds between block grants. Twenty-five of these transfers were from Low-Income Energy Assistance to Social Services. Thus, while needy people could not get energy assistance or had reduced benefits, money earmarked for that purpose was being spent elsewhere. At the same time, these transfers served to mask the seriousness of the cut in social services funds. Tragically, this shift is now being used to justify a reduction in Low-Income Energy

Assistance, i.e., the argument is being made that if funds were transferred out then the program was overfunded to begin with.

This is simply not true. The truth is that the cut in social services funds was more than could be absorbed. Governors and legislatures faced with a series of Hobson's choices decided to ameliorate the social services problem and pray for a mild winter.

Eight states transferred funds from Low-Income Energy Assistance to Maternal and Child Health. Again, this reflected a concern about the desperate need for health services. Significantly, five of these states were in the South where high infant mortality, problem pregnancies and limited post-natal care are commonplace and the climate is mild.

## Administrative Savings

There was very little information available to suggest that administrative cost savings were achieved. This seems consistent with the recent GAO report, Lessons Learned from Past Block Grants: Implications for Congressional Oversight (September 23, 1982), indicating that past block grants did not necessarily achieve sizeable administrative savings.

Many states did cut their staffs, but this generally related to overall state personnel cuts and was not directly attributable to block grants. Some of these cuts are already leading to serious problems: not enough child abuse investigators at a time when the incidence of child abuse is rising, insufficient personnel to license or conduct compliance visits to child care homes or facilities when the literature continues to emphasize the importance of these activities, etc. States as diverse as Maine, Iowa and Alabama attempted to achieve administrative savings by reducing child care licensing requirements. Our survey revealed two deaths in Maine and incidents of child abuse in Iowa which were traceable to these changes. (See enclosed State Profiles).

Public Participation

Despite the existence of Title XVII in OBRA, the Secretary of Health and Human Services (HHS) told the states that they need not follow the public participation requirements of the law in FY 1982. Not surprisingly, therefore, few states did so. While a federal court ultimately held the Secretary's interpretation to be in error, the decision came too late to affect the process. South Eastern Community Development Corp. v. Schweiker, 687 F.2d 1150 (8th Cir. 1982).

In the education area, the law requires there to be a broadly-constituted advisory committee. At the time the survey was conducted only 16 states had such committees in place even though the law was about to be implemented.

For FY 1983, the situation was not appreciably better. Sixteen states chose to fulfill their public hearing requirement by holding a single consolidated hearing on all the block grants. Seven chose to designate a portion of the state budget hearing as a block grant hearing. Only four states reported attempts to hold hearings around the state to facilitate public participation. Rhode Island had a particularly unique approach. The legislature held a public hearing on the health and community services block grants for FY 1982 in April 1982, seven months into the fiscal year. After the hearing was over, it was announced that it was also the public hearing for FY 1983, even though the FY 1983 plans had not been discussed.

There were also frequent complaints that the notice about the hearings was inadequate and that the plans were not available to the public in advance of the hearings. Significantly, when states made an effort to secure public participation, the response was impressive. In Georgia, for example, the Department of Human Resources held a public hearing on the six block grants it was responsible for. They actively solicited client groups, providers, and social services agencies to attend. They used newspapers, radio and television ads. Packets of information on the state's plans were available ten days in advance of the hearing. One-hundred-eighty-nine people testified! In Missippi, the governor's office sponsored five hearings around the state to get public input. Over 7,000 people attended these hearings!

Thus, in a few states, where public participation was solicited and facilitated, the public showed its interest in being involved. In the overwhelming majority of states, public participation was discouraged or non-existent. The federal law--both in the individual statutes and in Title XVII--was ignored.

## Federal Oversight

HHS--which is responsible for seven of the nine block grants--has been totally unwilling to monitor what is happening with the block grant programs. Its regulations make it clear that it has no intention of performing any oversight or data collection functions. It has declined to apply Circular A-95, or Part 74 of 45 CFR which would at least have secured standards for property procurement and allowable costs. It has refused to prescribe any data collection requirements of its own or to suggest either a format or content for that information which the statutes require the states to keep. GAO has recently concluded that:

> Block grant programs enacted before 1981 have successfully targeted services to people designated as economically disadvantaged. The Congress may never know whether the new block grants enacted under the Omnibus Budget Reconciliation Act of 1981 are similarly successful in social targeting--or in other objectives--because the Federal Government is not requiring uniform data collection.
> Lessons Learned from Past Block Grants: Implications for Congressional Oversight (Sept. 23, 1982)

To understand just how far HHS has gone in abrogating its responsibilities, a look at the Primary Care Block Grant is instructive. In the Preamble to the block grant regulations, HHS took the position that "funds will be made available to any state filling a complete submission." 47 Fed. Reg. 29474 (July 6, 1982). Thus, when Georgia and West Virginia submitted applications to run the Primary Care program which indicated that they would violate provisions of the law, HHS approved the applications because they were "complete!" In subsequent litigation, the District Court for the District of Columbia enjoined the Secretary's implementation of the Primary Care Block Grant until he complies with the requirements of the statutes and establishes a meaningful review process. Society for the Advancement of Ambulatory Care v. Schweiker, Civ. Action No. 82-3129 (D.D.C. Dec. 14, 1982).

HHS's record on civil rights enforcement within the block grant programs is even more appalling. While it has conceded that the federal civil rights regulations apply to block grants, this concession is contained in the Preamble to the regulations and thus will not be codified. In the meantime, the Director of HHS's Office of Civil Rights advised its regional directors that if they received complaints against recipients of block grant funds they should "acknowledge receipt of the complaint and advise the complainant that the investigation is being delayed while block grant procedures are being developed." (Memo from Betty Lou Dotson to Regional Directors, Feb. 12, 1982). Thirteen months later procedures have still not been developed, so civil rights violations are not being addressed.

As a result, in at least two Southwestern states block grant service cuts primarily affected Native Americans. In Oklahoma, tribes received only token Community Services Block Grant funds and their Low-Income Energy Assistance funding was reduced by 86%. These two programs were also disproportionately affected in Arizona. In Nebraska, funds were withdrawn from primarily Black neighborhoods in Omaha and reallocated to rural white communities. Those affected had nowhere to turn because it was the state which was discriminating and HHS had no mechanism to resolve the complaints.

## Conclusion

The first year of operation of the block grant programs contained in OBRA is not encouraging. One must conclude:

- budget cuts mean service cuts. It is foolhearty to believe that funds can be cut without affecting the lives of needy people;
- innovation and creativity in program design are not possible in the context of budget cuts;
- the federal agency responsible for most of the block grants regards them more as "revenue sharing" funds. Those specifics built into the individual statutes, as well as the provisions of Title XVII of OBRA, are being ignored.

Until Congress is satisfied that these concerns have been addressed, there should be no further attempts to turn existing programs into block grants.

United Way
of America

United Way Plaza
Alexandria, Virginia 22314-2088
Phone 703-836-7100

April 14, 1983

Senator Roger W. Jepsen
Chairman
Joint Economic Committee
G-01 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

Attached please find United Way of America's testimony for your report on the impact of New Federalism. We would appreciate it if you could include this letter in the record as well.

The report of the Joint Economic Committee will be an important addition to the national discussion over the proper roles and responsibilities of public and private sectors, and the different duties of the various levels of government. This era of limited fiscal resources and increased local decision-making requires the formation of a new national policy on the relationships between the different participants in social service delivery.

The United Way, Inc. of Dayton Area, Ohio recently examined the question of the partnership between the public and voluntary sectors. Their report is attached to our testimony but some of their conclusions are worth highlighting here.

- The federal government's primary role should be to administer income maintenance programs that provide a national standard for basic income security and are based on the ideals of this society and the limitations of our economic system.
- State and local governments must reorganize to assume the initiative in social services.
- The voluntary sector must be active, not only in the provision of services, but also in the formation of public policy.

Thank you for this opportunity to testify.

Sincerely,

Jack Moskowitz

Jack Moskowitz
Senior Vice President
Federal Government Relations

# STATEMENT OF
# UNITED WAY OF AMERICA
# FOR THE
# JOINT ECONOMIC COMMITTEE
# REPORT ON THE
# IMPACT OF NEW FEDERALISM

United Way of America welcomes the opportunity the Joint Economic Committee hearings offer to discuss the impact of New Federalism to date. The questions the committee has raised are of great importance to United Way of America and the 2,200 United Ways around the country. We applaud the committee's efforts to study this subject and to stimulate discussion. Sorting out roles and responsibilities for social programs is a complex task. A great deal of thoughtful study and debate is essential to developing a human service system that is well planned and rests on a foundation of strong public support for its goals and objectives.

United Ways across the country are increasing their efforts in order to make some sound recommendations on how that human service system should be designed.

Furthermore, the full impact of program and funding changes made in the Omnibus Reconciliation Act of 1981 is just beginning to be felt. States are now developing new structures and processes for administering the block grants and have not yet had enough time to put their own stamp on these programs. As a consequence, we feel that all the information necessary to answer your questions is not yet available.

However, we would like to share some of our preliminary responses to the Committee's questions. As our own studies on block grants, budget cut impacts, and human services roles and responsibilities continue, we would be happy to forward the results to the committee.

1. When the phrases "safety net" and "truly needy" were first used, no one anticipated the depth of the recession or the height that unemployment figures would reach. It makes it difficult, therefore, to say whether the "safety net," as originally conceived, really should or could have been responsive to the greatly increased needs of people affected by the recession. There are too many variables that created the recent period of hardship.

   It is clear, however, that the concepts of "a safety net" and "the truly needy" are very important ones. The government's responsibility to people in need is an issue that most Americans feel quite strongly about, although they have widely varying points of view. It is important that an attempt be made to arrive at a national consensus on what is an adequate "safety net" and who are the "truly needy." It is important that these definitions be carefully and conscientiously considered. An integral part of the discussion must be the voluntary sector's capacity to serve those people not reached by government programs, as well as the voluntary sector's capacity to provide some of these services on a more cost-effective basis.

2. Yes, there has been a change in state, local, and private sector responsibilities for social programs. The extent and the appropriateness of the change though are still unclear. United Way of America feels that an examination of the proper roles and responsibilities for the various levels of government, and the private-for-profit and voluntary sectors should be made. United Way of America's Government Relations Advisory Committee has established a Task Force on Public/Voluntary Sector Roles and Responsibilities to examine the impact of these changes on the voluntary sector. United Ways are concerned with role changes in the following areas:

   - Clearly defining financial and programmatic responsibilities among public, voluntary and private-for-profit service organizations over the continuum of services.

   - The extent of voluntary sector responsibility for basic needs: food clothing, shelter.

   - The role of philanthropic fund raising as government begins to look to foundation grants and voluntary fund raising campaigns to support its services.

   - The impact of government funding and regulation on the nature of voluntary agencies.

   - The voluntary sector role in establishing comprehensive community service needs and priorities.

3. Yes, there has been program innovation with attempts to respond to each state's needs, but a great deal more could be done in this area. A good example of innovation comes from Michigan where United Ways report the state has used its increased flexibility to coordinate the different energy assistance programs. State officials also are establishing funding priorities according to their own needs to a greater degree than in the past.

   However, many states seem to be reluctant to take advantage of the opportunity to make major changes in their operations. Some assurance of a stable policy in this area is necessary to encourage the states to begin to make some long term changes.

4. Increased cost savings and administrative efficiency vary widely from state to state, although in general progress has been made. In Boston, for instance, uniform paper work requirements have been established for a number of different programs and administrative processes have been streamlined to allow more people to be served. In addition, voluntary agencies have been increasing their own efficiency and adopting cost saving measures so that they can serve the largest number of people with more limited resources.

5. The amount of citizen participation in decision making has increased substantially. Most states have broadened their citizen participation processes under the block grants. However, many United Ways still remain

dissatisfied with the level of citizen participation in their states because they consider it to be too pro forma.

United Ways in thirty-one states responded to a recent United Way of America survey of block grant processes conducted in December. United Ways in sixteen states rated the level of citizen participation as average to high, while another fourteen rated the process low. United Ways in one state indicated the process was just being put into place and it was too soon to judge. United Ways believe in a strong role for citizen involvement in making service allocations. This is attested to by United Ways' reliance on citizen review in its own allocation process. United Ways believe that citizen review is an essential requirement for the best decision making. We have supported the inclusion of citizen participation requirements in social services and block grant legislation in the past. Many services can indeed be more effectively delivered at the local level, particularly where there is active citizen participation.

6. The data on whether federal funds have been used for their intended purposes are just beginning to appear. United Way of America is not aware of any instances of abuse at this point. The substantial change in the past two years in federal fund distribution through block grants is too new for a detailed picture to have emerged as yet. However, citizen participation is an important factor in making sure that the funds go for their intended uses. An active, involved citizenry and a free flow of information from government are the most important ingredients in governmental accountability to the public. Most United Ways are working toward this goal in their states. Encouragement of these processes in federal block grant law would be helpful.

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The second set of five questions the committee raises is more philosophical. United Way of America is studying these issues and has not formulated a position at this time.

However, one United Way in Ohio has made a thorough study of these issues through its volunteers and has formulated a set of recommendations. We would like to submit for the record the report of the United Way, Inc. of Dayton Area on New Federalism. It is a very thoughtful discussion of the issues involved, and should be helpful to the committee.

United Way of America appreciates the opportunity to participate in your New Federalism study. We look forward to the committee's final report as a valuable contribution to the country's and to our own deliberations on the issues the committee has raised.

Attachment.

UNITED WAY, INC. OF DAYTON AREA
PUBLIC POLICY COMMITTEE

# NEW FEDERALISM REPORT

JANUARY 1983

# PUBLIC POLICY COMMITTEE

Lois H. Ross, Chairperson

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| Judge Michael Merz, Chair<br>Rights and Responsibilities | Municpal Court Judge<br>Dayton Municipal Court |
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| Gloria Wolff | United Way/Community Volunteer |
| Joyce Young | Public Affairs Manager<br>Metropolitan Life Insurance Co |
| Neal Zimmers, Jr. | Ohio State Senator |

United Way Staff: Mary Ann Routledge
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Government Relations/Public Policy
United Way, Inc. of Dayton Area
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Dayton, Ohio 45406

# UNITED WAY, INC. OF DAYTON AREA
# PUBLIC POLICY COMMITTEE

## NEW FEDERALISM REPORT

January 1983

Lois H. Ross, Chairperson
Public Policy Committee

Sub-Committee Chairs:

Judge Michael Merz
Frederick C. Smith
Loren Minnick
Barbara Austin

Staff:

Mary Ann Routledge
Assistant Executive Director
Government Relations/Public Policy

# NEW FEDERALISM
# REPORT

## Introduction

Many proposals were put forth during the last year under the title of "New Federalism." Generally speaking, New Federalism has come to mean the elimination of the federal initiative in human service programs with state governments assuming this responsibility. President Reagan has proposed a tripartite process which involves a swap in income maintenance programs, a trust fund for social service programs, and, finally, the assumption of most human service programs by the states.

The Public Policy Committee of the United Way of Dayton reviewed the administration's proposal as it evolved, along with proposals from Senator Durenburger and the National Governors' Association. Because the proposals have continuously changed, the Public Policy Committee approached this issue (the devolution of human service responsibility to the States) from a perspective which included four aspects, each of which became the focus of four subcommittees. Those subcommittees were: Rights and Responsibilities, Management Issues, Fiscal Issues, and Political Considerations.

The purpose of this review was twofold:

1. to frame the issues clearly and to identify why they are criticial to all in human services;
2. to identify principles of management, good government, taxation, etc. which will assist in making the federal/state human service system more cost-effective.

This paper primarily addresses income maintenance programs, or the issue of income security. This is the central issue in human services, representing the greater outlay of money when contrasted with social services. This report provides a brief history of federalism, identifies the problems of the present governmental human service system, states the need for a national policy concerning income security, suggests principles this national policy should embody, explains why income security should be a federal responsibility and social services a state responsibility and, finally, tells why the voluntary sector should be a catalyst in this debate. (It should be noted that when exploring the state role, the committee dealt only with Ohio since an analysis of all fifty states would be beyond the scope of this paper.)

It is the Committee's hope that this paper will spur those in responsible positions to look at human service issues from a broader perspective. Our premise is that any division of governmental responsibility for human services must be grounded in enduring principles and not in temporary compromises.

## Background: Federalism Revisited

The adoption of the United States Constitution which replaced the Articles of Confederation was one of the greatest challenges ever to face our new nation. After the signing of the Constitution in 1778, and before its adoption, two years of intense debate created two factions known as the Federalists and Anti-federalists. The most famous and influential writings during this period were by Alexander Hamilton, John Jay, and James Madison, whose collected essays were later to be called The Federalist Papers. These papers address a fundamental and critical question that has reemerged throughout this country's history, that is the question of the allocation of governmental powers and the relationships between the national and state governments. While questions of human service policy and the role of local governments in the federal system were not addressed in these papers, fundamental philosophical issues, which laid the foundation for exploring these issues were discussed.

The Federalist Papers tried to define a system of government that is "not wholly federal, nor wholly national, but a 'composition of both.'" James Madison wrote in Federalist Paper No. 39:

> "The proposed Constitution, therefore, is, in strictness, neither a national nor a federal Constitution, but a composition of both. In its foundation it is federal, not national; in the sources from which the ordinary powers of the government are drawn, it is partly federal and partly national; in the operation of these powers, it is national, not federal; in the extent of them, again, it is federal, not national; and, finally, in the authoritative mode of introducing amendments, it is neither wholly federal nor wholly national."

Many reasons were given for the need for a strong central government, from establishing domestic security and maintaining harmony among the states to providing security from foreign intervention.

But the question of what the founding fathers believed to be the paramount principle in federalism remains. How does it manifest itself today? Alexander Hamilton asserts in Federalist Paper No. 31 that the geometric principle, in which the whole is greater than the sum of the parts, is the principle upon which the federal system operates. He develops this principle as key to the preservation of a country which must relate to other countries. Hamilton and Madison also speak of the existence of more than one authority as evidence of a federal system, with Madison emphasizing the limitations of the national government.

Jay's arguments for a strong central government were not only governmental in nature, but were based on a conception of reality or a world view. He saw the need for a strong central government, an entity separate from a mere summation of its parts (the States), as critical to each individual citizen's identity, but also as necessary for the functioning of that new entity, a nation.

Determining the relationship among governmental authorities and deciding the federal role, based on limited or permissive powers, has been a continuing process of our governmental evolution. Limited powers, or classical federalism, refer to the limitation of federal government's powers as enumerated in the Constitution. Permissive powers refer to a "sharing of power and authority between the national and state governments, but the state's share rests upon the permission and permissiveness of the national government." Some refer to this not as a federal system, but rather as an intergovernmental system.

Deil Wright, in Understanding Intergovernmental Relations, lists six phases of intergovernmental relations since the 1900's. He describes these phases according to the tohe in which policy issues were addressed by the federal and state governments. Wright identifies these phases as follows: conflict, cooperative, concentrated, creative, competitive, and calculative. These descriptive phases are helpful in putting this issue in appropriate historical context. They also remind us that the relationship between state and federal government has not been conclusively resolved. (See Appendix A for a chart detailing these phases.)

Thus, the issue of federalism is not a new phenomenon. There seems to be as great a divergence on this issue as there is on the question of human services. Human services, by definition, raise basic questions about the nature and purpose of societies and governments. It is basic to our human nature to form societies (we are inherently social). Governments are formed to protect and to provide stability for societies. In more pragmatic terms, human services, including social insurance, account for over half of the federal budget. Taken from either perspective, it is not surprising that the debate on the New Federalism should focus on human service programs, primarily the question of which governmental entity should fund and adminster them.

## Problems in the current federal system

Before discussing the philosophical issues involved, it is important to review the problems that have led to the present review.

This question of appropriate roles in a tripartite system of governance has been explored for the last 20 years by a bi-partisan national commission, the Advisory Commission on Intergovernmental Relations (ACIR). The ACIR notes that human service providers, along with state and local governments, have long supported the concept of block grants, more local flexibility, and less federal intervention; but all have taken a second look when this proposal was linked with less dollars. Many of the problems that initiated the ACIR extensive analysis (1977-80) were managerial in nature. It became apparent that the existing federal system had become overextended and congested. These managerial problems became more severe as the recession deepened, and budget cuts became an ongoing reality. Management problems are not always apparent when resources are abundant. However, when resources diminish and reductions must be made, managerial problems become apparent. The ACIR and local community leaders have identified managerial problems that have plagued human service programs. Some of the problems were:

1) Lack of political accountability
2) Lack of clear lines of authority
3) Lack of budgetary constraints
4) Lack of quality control or comparability in benefits
5) Lack of equity among states in both tax capacity and tax effort
6) Lack of clearly defined and articulated national policy on human services.

Traditionally, human service programs have been divided into two categories: income maintenance (cash outlays to individuals or families) and social services (services to individuals or families to improve the quality of life). A major change has occurred in federally funded social service programs with the enactment of numerous block grants. In effect, social services have become a state and local responsibility. While these changes are significant, the larger issue, both in terms of dollars spent and impact on people, is the proposal in regard to income maintenance progams. The following discussion of managerial problems will focus on problems with income maintenance programs, or the area of income security.

Lack of political accountability

Shared responsibility has often meant no responsibility. One level of government mandates the provision of services without appropriating the necessary financial resources, thereby imposing on another level the responsibility for funding these services. Two programs where shared responsibility is especially problematic are Aid to Families with Dependent Children (AFDC) and Medicaid. These programs are federal/state funded with shared administrative costs. The federal government devises guidelines in which the states are permitted to make policy and administrative decisions. The federal government pays 50-75 percent of the costs of AFDC and

Medicaid, but the states share administrative costs equally with the federal government. For states who contribute less than 50 percent for benefits, there is little incentive to make the programs cost-effective or track fraud.

As a corollary to the above problem, the shared responsibility in AFDC and Medicaid also complicates meaningful citizen access in the political process. When policies and procedures are determined at two, even three levels of government, meaningful political access is difficult, if not impossible. Likewise, the specificity of hundreds of federal programs have demanded so much expertise that only special interest groups, program administrators, and staffs of congressional subcommittees have had the knowledge needed to address programmatic changes. This quote from an ACIR report illustrates this problem.

> "As federal programs have grown in number, so have the tripartite collection of interests associated with each of them. One term, "iron triangle", has been used to describe the alliances of program administration, congressional subcommittees, and interest groups that coalesce around individual aid programs and often dominate decision-making." (ACIR Report)

Also, it is clear that Congress is increasingly unable to act. For the past three fiscal years, omnibus legislation and continuing resolutions have become standard operating procedure. New legislative initiatives in human services have been replaced by the reduction of federal involvement and funding.

## Lack of Clear Lines of Authority

With so many areas of responsibility, the ability of the federal government to perform these functions well and to coordinate and integrate numerous functions becomes questionable. Each level of government cannot be all things to its citizens.

A lack of clear lines of authority leads to overlapping programs, contradicting eligibility requirements, and ineffective and uncoordinated delivery of programs to individuals. The result is a bureaucratic nightmare.

An example of this is the state funded Aid to Independent Living (AIL) program whose funds are to be used as match for Title XX of the Social Security Act. Title XX has no age restrictions while AIL, made to correspond to the Older Americans Act, requires recipients to be 60+. There are numerous examples of contradictions within programs; e.g., Medicaid, Title XX, etc. All fail to see the individual as needing a continuum of services which goes beyond the objectives of each program.

## Lack of budgeting constraints

By enacting programs, such as AFDC and Medicaid, in which states are reimbursed for program costs according to the number of eligible citizens, the ability to plan and budget is seriously diminished at both the federal and state levels. The federal government provides another health care program, Medicare. This is a title of the Social Security Act, and is totally federal funded. Again, without fiscal limitation, the costs of this program cannot be accurately projected and, perhaps, cannot even be financed.

> "In 1965, when Congress passed the Medicare legislation (now provides medical care for 25 million citizens 65+), legislative research estimated that by the year 1990 its costs would reach 8 billion dollars a year. By 1979, the annual costs for Medicare were already running at three times the projected 1990 rate ($24.4 billion a year), and by 1990 the current estimate for Medicare is approximately $80 billion (ten times the original calculation)." New Rules, Yankelovich (1980).

Presently Medicaid is a "formula for disaster." Each state has the option to accept Medicaid and offer this program to welfare recipients (AFDC and SSI) and the medically needy (those not on welfare, but income eligible). Some states (Wisconsin, e.g.) have expanded coverage heedlessly and now face serious budget problems.

With no limit on what a recipient may receive, and with the shared federal/state approach, cost containment becomes ludicrous, if not impossible.

Note that this is the only program for poor people in which a recipient can consume without limits. Medicaid, which began in 1966, at the modest level of $363 million, now costs over $30.4 billion (twice as much as welfare and 2.5 times the costs of food stamps).

### Lack of quality control or comparability in benefits

Income maintenance programs, primarily AFDC and Medicaid, are hybrid programs with state/federal funding and policy development. This has led to differences in the types of programs, eligibility requirements and benefits from state to state. AFDC benefits vary from $96 per month in Mississippi for a family of three to $571 per month in Alaska for the same family (as of 2/82). (See Appendix B for a chart detailing all fifty states.)

While Food Stamps increase the total assistance per recipient for states like Mississippi, Food Stamps cannot be used to pay for rent, utilities, clothing, transportation, etc. It is true that the cost of living is considerably higher in states like Alaska than in Mississippi; but the difference in benefits is still greater than the difference in the cost of living would warrant.

If human needs are similar for individuals from state to state, a uniform approach to meeting such needs seems appropriate. However, establishing a uniform benefit level, taking into consideration cost of living variations, is not without its disadvantages. Any attempt to achieve this will raise the issue of "leveling up" benefits in which states with high benefit levels will insist that the federal government assume its level as the standard.

Inequality among the states in regard to tax capacity and tax effort

The ACIR has studied the variations among the states in tax effort (willingness to be taxed in relation to personal income) and tax capacity. Enormous variations exist reflecting cultural and social variations and differences in state resources. Consistent with these variations, income maintenance programs vary greatly. In the past few years, the northeast and midwest have suffered greater ill effects from this recessionary economy. These states have had decreasing revenue, coupled with increasing demand for income maintenance programs. For example, Ohio had a 40% increase in General Relief recipients from FY 80-81 to FY 81-82. At the same time, Alaska returned to its citizens over $1,000 per citizen because of excessive revenues.

This inequality of the distribution of wealth and the ability of a state to pay taxes was addressed by Alexander Hamilton in the Federalist Paper No. 21. He writes that this "inequality would of itself be sufficient in America to work to the eventual destruction of the union . . . the suffering states would not long consent to remain associated upon a principle which distributes the public burdens with so unequal a hand, and which was calculated to impoverish and oppress the citizens of some states, while those of others would scarcely be conscious of the small proportion of the weight they were required to sustain." While Hamilton's reference is to a quota system of taxation among the states, the ability to maintain domestic stability when great economic differences exist becomes questionable.

## Lack of clearly defined national policy

While the federal government has established many national goals through categorical human service programs, it has failed to establish national policy in the most important area, that of income security. Income security is the foundation which is often necessary to make social services effective. Put simply, it is difficult to counsel someone who is hungry. The major federal and state programs attempting to address income security are SSI, Medicaid, Medicare, and AFDC. AFDC was one of the original provisions of the Social Security Act. When the Social Security Act was passed it was believed that Aid to Dependent Children (ADC) would "wither away." This was based on the assumption that ADC recipients would be primarily widows and their children. Since the Social Security Act enacted a social insurance program, participants in that program could be assured that the surviving spouse (primarily women) and their children would receive minimum benefits from this insurance program.

Thus, it was not believed that ADC would be needed for long. As we know too well, the need did not "wither away." Instead, because of dramatic social change and since this was the only income maintenance program, the demand for ADC increased dramatically during the 50's and 60's. The question becomes, to what extent did this program encourage single parent families? While the Social Security Act was and is terribly significant, especially since it was the first piece of legislation to acknowledge a national economy, it did not address the issue of income security based solely on need, regardless of family make-up. The Social Security Act was based on assumptions, some of which were, and still are, not valid.

Before developing a national policy on income security, all assumptions must be thoroughly thought through. Assumptions are based on value perceptions concerning the reasons for unemployment, perceptions of poor people, class differences, prejudices, etc., all of which serve to blur and distort the issues concerning poverty in our society.

All of this is not to suggest that the federal government should not have addressed these social problems. The events of the 30's and of the 60's required a federal response. However, when the federal government does address societal problems, it must be cognizant that its huge expenditures and critical role may have unintentional effects.

## Development of National Policy

What would a national policy on income security look like, and how would it be developed? National policy should reflect the ideals of our society. It should be based on the nature of our society, and, in regard to income security, the nature of our economy. Both are critical in determining a national policy on income security.

A recurring question about our society which is due to this country's size, is that of whether this country is one society or many societies. The Federalist Papers offer some insight. John Jay, in Federalist Paper No. 2, concludes we are one society. He points to one language, one form of social interaction, similar manners and customs, and a common religious heritage (Judeo-Christian). He could have added one mode of thought (Western). Although many subordinate societies exist and Americans have shown a tolerance for diversity, one society, especially in adversity, has always prevailed.

Explaining the nature of this society is a somewhat more complex task. Societies are formed to order human activity, provide for the common good, and to provide an environment in which members can pursue fulfillment. People are inherently social; societies order this social interaction; governments assist by providing stability. Governments thus reflect the values and ideals of society.

Providing for an orderly society has required cash assistance to the poor. Many assume that cash assistance did not begin until the Social Security Act of 1935. Actually, cash assistance has been provided by state and local governments since colonial times, based on British tradition which extends back to the Elizabethan Poor Laws.

Upon what basis did our society and its governments continue this tradition of caring for the poor? Certainly, religious reasons provided a common basis for our society's obligation to care for its members. The Judeo-Christian tradition holds the ideal that the fundamental purpose of social institutions is to address human needs. The human person in relationship to others and to God was and is seen as a fundamental tenet providing the basis for society's obligation. This religious orientation is evident throughout this country's formation and history.

Apart from religious ideas, respect for each person's humanity provides a philosophical basis for governmental assistance programs. Recognizing the dignity of each person, and the fact that a basic standard of living is required to express this dignity, certainly is a basis for society's obligation to care for its members. Conversely, a person's dignity is diminished when that person declines to respond to another's needs.

Recently, the notion of a social contract has emerged as the basis for this society's and its government's obligation. This notion states that government, in this case, the federal government, has responded to its people's needs throughout history, particularly in the 1930's and 1960's. Thus it has formed a contract regarding certain economic and social issues. To back away from this contract is to break faith with its people.

Whatever the philosophical basis, Judeo-Christian, secular humanism, or social contract, a fundamental belief about this society's obligation to care for its members is expressed.

How should this obligation be addressed? The principle of subsidiarity is a means of ordering one's responsibilities in caring for one another. Simply stated, the principle holds that each individual should care for himself/herself; if this is not adequate, then his/her family should do so; then the community, then local, state, and national government. Needs should be addressed by the societal or governmental unit, closest to the individual which is most capable of addressing the need. This principle protects individual and local autonomy from unnecessary centralization.

However, this becomes a more difficult question when applied to the issue of income security. Certainly, individual initiative must be fostered; so too, famillal assistance should be encouraged. However, the complexities of our economic system suggest that dealing with the existence of poverty goes beyond individual or familial abilities.

Some level of unemployment is an ever present reality in a capitalistic economy. Throughout our history, depressions and recessions have caused high unemployment, sometimes threatening domestic accord. Individual initiative or familial assistance was often inadequate in the face of this reality.

Nor are state governments equipped to address income security. Monetary and fiscal policies are determined on a national level; economic policy is a national concern. States must either cope with or exploit these policies, depending upon resources, etc. Utilizing the principle of subsidarity alone is simply not adequate to address the issue of income security. Our economic system and its policies do not respect state boundaries. Providing for income security is a federal responsibility since only the federal government has the power to form national economic policy, and has the capacity to respond.

The formation of national policy to guide this federal responsibility is of paramount importance, if a rational and a manageable approach is to be found. This national policy must take into consideration the above assumptions. Such national policy should not discourage individual initiative, interfere or cause dislocations in families, or exempt state and local government from addressing aspects of this problem. But the basic issue of income security is a national problem and requires a national policy.

The development of a national policy is long overdue. The piecemeal approach, in which needs of certain client populations (i.e., children, juvenile delinquents, mentally ill, etc.) are addressed, has improved the quality of life, but has been inadequate in providing for basic human needs - food, clothing, shelter, and health care.

Without such a policy, secondary issues will continually emerge. New needs will continually be identified for new target populations, and additional resources will be sought. The needs of the poor are always multiple. This piecemeal approach may serve to work against the development of national policy because the alleviation of a symptom is often confused with the elimination of the cause. But to address each symptom without addressing the assignable cause is wasteful both in human and financial terms.

## National Policy: Principles It Should Embody

In order to manage, one must know what one is about. A national policy would provide this direction. However, certain principles which this national policy should embody can be developed based on experience with the present human service system.

The following is not an exhaustive list of principles, but a definition of the parameters for the development of national policy. The principles correspond to the problems listed previously.

Political Accountability. The federal system must provide meaningful political access for citizens in the formation of public policy and legislative decision-making. This system must be structured so that citizen access is inherent in the process. The responsibility for administration and decision-making must be clearly delineated.

Clear Lines of Authority. *The Federalist Papers*, defined the division of labor between the federal and state governments. Throughout our history redefinition has continually taken place. A major challenge of the New Federalism is to sort out the responsibility for human service programs among state, federal, and local governments. Criteria for sorting out functional areas has been devised by scholars, the ACIR, and *The Federalist Papers*.

The following is a list of criteria which should be used to determine federal involvement in human services:

1. When an issue concerns all of society, but cannot be adequately addressed by states. Alexander Hamilton suggests that the federal government's "jurisdiction is limited to certain enumerated objects, which concerns all members of the republic, but which are not to be attained by the separate provisions of any." (Federalist Papers, page 82)

2) When the federal government is the only entity that can summon the resources needed for an activity - e.g., defense, maintenance of economic stability.

4) When States fail to respect or to protect political and civil rights that apply throughout the United States.

5) When each states' efforts would mean duplication on issues, or coordination of efforts, i.e., information, research, technical assistance, etc.

Some of this sorting out has already occurred. The passage of the 1981 Omnibus Budget Reconciliation Act, which created nine block grants combining seventy-seven categorical programs, is an example. Through this, social services were made the responsibility of state governments. While federal funds are still used, the responsibility for social services was transferred to the states. Here, New Federalism is already a reality.

Budgetary Constraints Established. Income security programs (AFDC, Medicaid, etc.) must be subject to an appropriations process. A methodology must be developed in which a reasonable estimate of citizens to be served can be utilized in the appropriations process. It is also very important to develop a methodology in which total federal dollars in human services are ascertained and appropriately targeted.

An extension of this principle would place all income security programs on a cash assistance basis. It is impossible to gauge costs when income security programs are on a "services rendered" basis. An option to be explored is providing health care for the poor on an insurance basis. Requiring a co-payment for health services in the Medicaid program would be a step in this direction.

Fiscal Control. The level of government which mandates services must also appropriate the funds for those services. State governments have complained about the federal government's tendency to mandate services without appropriating adequate funds. Local governments have likewise complained about state government's similar propensity. For state and local governments to control their fiscal expenditures, they must not be encumbered with mandates from above.

Minimum Benefit Level Established. Once national policy is developed, a national goal should be to devise a minimum federal benefit level for all income maintenance programs. The level should be compatible with some minimum budgetary standard of health and decency taking into account cost of living variations.

Devising this benefit level may be more easily accomplished if a comprehensive program for income security is developed. This principle would consider the needs of all age groups and would be distinct from income insurance. Income or social insurance, as enacted in the Social Security Act, is a very different concept from providing income security to a population which has not "paid into" the fund from which they will receive benefits.

## Local Decisionmaking

The above principles are directly applicable to the federal government's provision of income maintenance programs. Most are also applicable to social services. But the principle of local decisionmaking is directly related to the area of social services. Akin to the principle of subsidiarity, this principle is especially significant in sustaining and building communities. While local decisionmaking would not be significant in income maintenance programs, as envisioned in this paper, it is critical to social services. It is especially important in the coordination of social service programs. Local government and community organizations must have the power and authority to coordinate social service programs. Program coordination is vital if resources are to be used well. State and local governments must define their roles to maximize local decisionmaking and build consensus.

## State Role: Comprehensive Social Services Approach

With the enactment of nine health and human services block grants in 1981, the responsibility for social services (as opposed to income maintenance programs) was transferred from the federal government to state governments. State governments vary greatly in their capacity to handle this new responsibility. Fortunately, Ohio has what is called a "strong governor," full-time legislators, and competent administrators and appointed cabinet positions (all three indicators of such capacity). (See Addendum A on Political Consideration for more discussion on this.) Ohio needs to prepare for this new challenge and reorganize its administrative structure to provide for a more comprehensive approach. While the needs of target populations have been the state's responsibility, the state must broaden its scope of social services to address social service needs of all its citizens.

Such a role is within the capacity of this state, but its success will depend on the executive branch for leadership and direction. To do this, clear lines of authority must be determined and functional areas assigned between federal and state governments. The division we envision would be: the federal government assumes responsibility for income maintenance programs, while state governments are responsible for social services.

The state assumption of social services through block grants has already posed the question of local government's role and the relationship between local and state governments. The County Block Grant Proposal is an attempt to answer this question. Defining the roles between state and local governments will require thought and discussion, and the status quo in terms of the state's administrative structure and local governments' capacity must be re-examined.

## Conclusions

The challenge before the federal and state administrations is enormous. These two executive offices must provide the leadership needed to redefine the federal/state system of human services. A New Federalism must be forged. Block grants were only the beginning. The federal government must explore ways to make income maintenance programs more cost-effective.

Income maintenance programs must be based on a clearly articulated national policy which considers both the ideals of this society and the limitations of our economic system. Such a policy would determine a national standard for basic income security.

This policy would define the federal government's primary role. States vary greatly in both tax capacity and tax effort, thereby making the federal government the most appropriate body to assume this responsibility.

Our state government must reorganize to assume the initiative in social services. State and local governments must identify their roles in social services. Sound managerial and governmental principles must be utilized in both the formation of a national policy on income security and the expansion of state and local government's roles in social services.

Both challenges require the participation of the voluntary sector. This partnership means an active voluntary sector, not only in the provision of services, but also in the formation of public policy. This participation should be understood, not simply as enlightened self-interest, but as essential to the mission of the United Way. If we are to act as a surrogate for the individual to improve his/her quality of life, then we must make the human service system, both public and private, effective and rational.

# APPENDIX A

TABLE 3-1 Phases of Intergovernmental Relations (IGR)

| *Phase Descriptor* | *Main Problems* | *Participants' Perceptions* | *IGR Mechanisms* | *Federalism Metaphor* | *Approximate Climax Period* |
|---|---|---|---|---|---|
| Conflict | Defining boundaries<br>Proper spheres | Antagonistic<br>Adversary<br>Exclusively | Statutes<br>Courts<br>Regulations | Layer cake federalism | Nineteenth century–1930s |
| Cooperative | Economic distress<br>International threat | Collaboration<br>Complementary<br>Mutuality<br>Supportive | National planning<br>Formula grants<br>Tax credits | Marble cake federalism | 1930s–1950s |
| Concentrated | Service needs<br>Physical development | Professionalism<br>Objectivity<br>Neutrality<br>Functionalism | Categorical grants<br>Service standards | Water taps (focused or channeled) | 1940s–1960s |
| Creative | Urban–metropolitan<br>Disadvantaged clients | National goals<br>Great society<br>Grantsmanship | Program planning<br>Project grants<br>Participation | Flowering (proliferated and fused) | 1950s–1960s |
| Competitive | Coordination<br>Program effectiveness<br>Delivery systems<br>Citizen access | Disagreement<br>Tension<br>Rivalry | Grant consolidation<br>Revenue sharing<br>Reorganization | Picket fence (fragmented) | 1960s–1970s |
| Calculative | Accountability<br>Bankruptcy<br>Constraints<br>Dependency<br>Federal role<br>Public confidence | Gamesmanship<br>Fungibility<br>Overload | General aid entitlements<br>Bypassing<br>Loans<br>Crosscutting regulations | Façade (confrontational) | 1970s–1980s |

## RANKING OF STATES BASED ON CURRENT AFDC BENEFIT LEVELS FOR A FAMILY OF THREE WITH NO OTHER INCOME *

Prepared by the Center On Social Welfare Policy and Law

February 10, 1982

| | | | | | |
|---|---|---|---|---|---|
| 1. Alaska | $571.00 | 18. Kansas | $328.00 | 34. Missouri | 248.00 |
| 2. California | 506.00 | 19. South Dakota | 321.00 | New Mexico | 248.00 |
| 3. Vermont | 478.00 | 20. Oregon | 320.59 | 35. Nevada | 241.00 |
| 4. Wisconsin | 473.00 | 21. Pennsylvania | 318.00 | 36. Florida | 209.00 |
| 5. Hawaii | 468.00 | 22. Wyoming | 315.00 | Virgin Islands | 209.00 |
| 6. Minnesota | 446.00 | 23. Idaho | 313.15 | 37. West Virginia | 206.00 |
| 7. Washington | 440.00 | 24. Colorado | 313.00 | 38. Arizona | 202.00 |
| 8. Connecticut | 426.64 | 25. Montana | 306.00 | 39. North Carolina | 192.00 |
| 9. New York | 424.00 | 26. Illinois | 302.00 | 40. Louisiana | 190.00 |
| 10. Rhode Island [1] | 395.74 | 27. Maine | 301.00 | 41. Kentucky | 188.00 |
| 11. Michigan | 395.00 | 28. District of Columbia | 299.93 | 42. Georgia | 183.00 |
| 12. Massachusetts | 379.20 | 29. Oklahoma | 282.00 | 43. South Carolina | 132.77 |
| 13. Utah | 367.00 | 30. Maryland | 270.00 | 44. Arkansas | 122.00 |
| 14. Iowa | 360.00 | 31. Delaware | 266.00 | Tennessee | 122.00 |
| New Jersey | 360.00 | 32. Ohio | 263.00 | 45. Alabama | 118.00 |
| 15. North Dakota | 357.00 | 33. Guam | 255.00 | Texas | 118.00 |
| 16. Nebraska | 350.00 | Indiana | 255.00 | 46. Mississippi | 96.00 |
| 17. New Hampshire | 346.00 | Virginia | 255.00 | 47. Puerto Rico [2] | 90.00 |

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* For those states that vary benefit levels by region, we have used the amount for the region with the largest number of AFDC families which is not necessarily the region with the highest benefit level in the state. For states that vary benefit levels by composition of the assistance unit, we have used the benefit levels that apply to assistance units that include one adult.

[1] Figure shown arrived at by adding together the benefit levels used for winter and non-winter months and then dividing this annual total by 12 to get a more representative monthly figure for comparison purposes.

[2] Figure shown assumes a shelter standard of $20.

## APPENDIX C

## HUMAN SERVICES

## STATE OF OHIO

Based on Executive Budget
'81-'83 Biennium

(in millions of dollars
on an annual basis)

### A. Cash Assistance/Income Maintenance

| CATEGORY | STATE | FEDERAL |
|---|---|---|
| AFDC | 275.175 | 336.325 |
| Family Emergency Assistance | 8.865 | 10.835 |
| General Relief | 99.800 | |
| Adult Emergency Assistance | 8.500 | |
| Medicaid | 572.400 | 699.600 |
| Administration | 31.560 | 47.340 |
| Food Stamps | | 18.900 |
| Child Support | | 20.300 |
| Home Energy Assistance/ Weatherization | 4.700 | 93.641 |
| TOTAL | 1001.000 | 1226.941 |

### B. Social Services

| CATEGORY | STATE | FEDERAL |
|---|---|---|
| Adult Foster Care | .50 | |
| Children Services | 9.30 | |
| ADC Foster Care | | 5.30 |
| Social Services | | 102.00 |
| Day Care | 4.70 | 14.00 |
| Refugees | | 9.10 |
| Child Welfare | | 9.80 |
| State/Local Training | .14 | 3.60 |
| Rehabilitation Services | 11.00 | 71.20 |
| Health | 27.40 | 94.40 |
| Aging | 7.20 | 35.30 |
| Mental Retardation | 185.00 | 70.60 |
| Mental Health | 259.60 | 25.70 |
| TOTAL | 504.84 | 441.00 |

## ADDENDUM I

### Political Considerations

This addendum will focus on the institutional framework and the influence of citizens' attitude on state governance in Ohio. The discussion on institutional framework will focus on this state's administrative and legislative capacity to exercise control. The discussion on attitudinal influences will deal with people's perception versus the reality of state government. Lastly, it will address the particular political concerns of our three-county area.

When evaluating the sophistication of Ohio's government, three institutions must be explored: the Governor's Office, legislators, and administrators. Administrators can be rated on level of education, training, and professionalism demonstrated. Because of the present transition period, it is not possible to ascertain what the quality of state administrators will be in the new administration. Because administrators play a critical role in determining the quality of social services, their abilities will be key to the effectiveness of the social service system in Ohio.

Legislators can be evaluated not only on the kinds of individuals attracted to legislative office, but also on whether legislators are considered full-time or part-time. Ohio has a full-time legislature and does compensate legislators on that basis (although poorly). The typical Ohio legislator is "male, white, protestant, and of Anglo-Saxon origin, 30 to 50 years old, married with children, college educated, either an attorney or a businessman, and residing in an urban or suburban community." While this has been the typical description of an Ohio legislator, there have been considerable changes in the above categories during the past few years. More women and blacks have joined the legislature.

Professional assistance to legislators is available from the offices of the Executive Secretary and the Legislative Clerk of the House, the office of the Clerk of the Senate, the Legislative Service Commission, the Legislative Reference Bureau, and the Legislative Budget Office. Every senator has a secretary and may hire a staff assistant. One secretary is assigned to every three to four representatives with the house leadership and committee chairs having additional secretarial services. Representatives, as a rule, do not hire staff assistants, but the house leadership may.

There is typically a low turnover in legislators every two years, and Ohio's legislators are considerably more sophisticated than most other state's legislators.

The Governor's Office is the supreme executive power of the state. Since 1978 the Governor and Lieutenant Governor have been elected as a team. This has helped strengthen the power of the Governor. The Governor has the power of appointments, controls state expenditures (prepares the budget), apprises the legislature of the condition of the state, and may convene a general assembly by proclamation into a special session.

All three institutions, (the Office of Governor, legislators, and administrators) are fairly well developed institutions, and Ohio's governing capacity is not inferior to the majority of states.

However, on the attitudinal side, Ohio has more problems. Ohio has long been caught in a low tax syndrome, has had inadequate media coverage outside of Columbus, and a poor self-image. It has long enjoyed a strong industrial base (which is now seriously threatened) and high personal incomes. It has taken a conservative approach human services (low benefit levels, minimal level of programs, etc.). It has also been slow to develop what is known as "home rule" for county governments. A change in attitude is critical if Ohio's state government is to become a leader in social services.

In our three-county area, there has been emphasis on local control and coordination of human service programs. A consensus is developing that "tax dollars ought to be controlled by elected officials." This notion does not prohibit contracting for services with private nonprofit agencies, nor does it prohibit shared planning and coordination. Presently, many proposals are being discussed to further local control and increased coordination. Two proposals under consideration are the County Block Grant Proposal and the Human Services Levy. Both are being considered, but the problems encountered indicate that changes are needed at the state level.

## ADDENDUM II

### Fiscal Issues

The question of fiscal capacity in regard to states' abilities to absorb responsibility for income maintenance and social service programs has been a major point of discussion in the New Federalism debate.

An analysis of Ohio's tax effort and tax capacity provides a comparison of Ohio's effort and capacity compared to the other states, but, unfortunately, this information is two years old.

The Advisory Commission on Intergovernmental Relations (ACIR) latest report (1979) lists Ohio's tax effort as 86 and its tax capacity at 99. At this time, Ohio was near the average in tax capacity, but was below average in tax effort. Since 1979 much has happened. Ohio has been forced, due to a shrinking revenue base (high unemployment) and increased caseloads in welfare progams, to increase taxes dramatically.

Unfortunately, this situation has been repeated in many states, and comparability of Ohio's tax effort and tax capacity with other states is not possible.

Additional problems face Ohio with a large deficit in the remainder of FY83 and continuing in the next biennium budget.

Dr. Fred Stocker, an economist at Ohio State University, has predicted that the surcharge on personal income will be continued until the end of this fiscal year (June 1983) rather than being discontinued in March as planned.

Dr. Stocker feels that Ohio has a large tax capacity in the long term. But in the short term, Ohio will face great difficulties (due to the depth of the current recession) in maintaining present levels of services and benefits in all parts of the budget.

Dr. Stocker has long advocated reform in the personal property tax. It is interesting to note in the attached charts from the ACIR, that while Ohio's income tax has increased as a percentage of personal income, the property tax has decreased almost in equal proportion. According to area legislators, there may be serious attempts to restore the revenue productivity of the property tax.

Fiscal capacity to absorb federal funding of human services would require an increase in tax effort. The following principles have been suggested when considering tax increases.

1) Restore revenue productivity of the personal property tax

2) Increase low rate on broad base rather than the reverse

3) Seek a balance between business and non-business tax

4) Keep tax policies and rates in line with those of neighboring industrial states

5) Do not increase tax authorities beyond elected officials

6) Shift taxes consciously and with public deliberation (federal tax decreases while state tax increases)

The Ohio Citizens' Council has evaluated tax policy options and has issued a report detailing basic principles of taxation to be used when considering an increase in state taxes. An executive summary of that report is attached.

Lastly, when considering fiscal capacity to increase taxes for human services, it must be remembered that other claimants will be demanding increased state support, i.e., education, local governments, etc. The state is in a serious recession, and to consider expanding its functional responsibilities is unthinkable. While Ohio needs to address the jobs issue, economic issues go beyond state boundaries, and Ohio can only address the effects of the present economic situation.

STATE: OHIO 1980 POPULATION: 10,797,419

TRENDS—OHIO STATE AND LOCAL REVENUES AND EXPENDITURES AS A PERCENTAGE OF STATE PERSONAL INCOME, SELECTED YEARS 1942-80

| State and Local Revenues and Expenditures | 1980 Amount (millions) | As a Percentage of Personal Income: 1980 | As Percent of U.S. Average | 1977 | 1972 | 1967 | 1957 | 1942 |
|---|---|---|---|---|---|---|---|---|
| General Revenue —U.S. State and Local | $382,321.6 | 19.8% | 100% | 20.8% | 19.5% | 15.7% | 10.9% | 8.5% |
| General Revenue— OH | 14,959.3 | 16.0 | 81 | 16.4 | 15.4 | 12.4 | 8.8 | 7.5 |
| Federal Aid | 3,081.3 | 3.3 | 77 | 3.3 | 2.3 | 1.8 | 0.7 | 0.6 |
| Total Own Source Revenue | 11,878.1 | 12.7 | 82 | 13.1 | 13.1 | 10.6 | 8.1 | 6.9 |
| Property Tax | 3,034.3 | 3.2 | 91 | 3.7 | 4.4 | 4.3 | 3.2 | 2.9 |
| Income Tax | 2,361.5 | 2.5 | 86 | 2.2 | 1.3 | 0.4 | 0.3 | — |
| General Sales Tax | 1,595.9 | 1.7 | 63 | 1.8 | 1.7 | 1.2 | 1.1 | 0.9 |
| Other Taxes | 1,756.1 | 1.9 | 76 | 2.2 | 2.7 | 2.4 | 2.1 | 2.3 |
| Charges & Miscellaneous | 3,130.4 | 3.3 | 85 | 3.2 | 2.9 | 2.3 | 1.4 | 0.8 |
| Direct General Expenditure —U.S. State and Local | $367,339.9 | 19.0 | 100% | 20.0 | 19.7 | 16.1 | 11.6 | 7.5 |
| Direct Gen. Expenditure— OH | 15,447.0 | 16.5 | 87 | 17.2 | 15.4 | 12.8 | 9.8 | 6.5 |
| Education | 5,929.2 | 6.3 | 91 | 7.0 | 6.7 | 5.4 | 3.6 | 2.0 |
| Public Welfare** | 1,827.7 | 2.0 | 83 | 1.9 | 1.6 | 1.1 | 0.8 | 0.9 |
| Highways | 1,180.6 | 1.3 | 76 | 1.4 | 1.8 | 2.2 | 2.0 | 1.2 |
| Health & Hospitals | 1,624.5 | 1.7 | 100 | 1.6 | 1.2 | 0.7 | 0.7 | 0.3 |

OHIO TAX BURDENS AND DEBT

| Direct Taxes as a Percentage of City Average Family Income,* 1980 | |
|---|---|
| Federal Personal Income Tax | 12.4 |
| Social Security Tax | 5.7 |
| Local Property Tax | 2.0 |
| State-Local Personal Income Tax | 3.1 |
| State-Local General Sales Tax | 1.0 |
| Total | 24.2 |
| As a Percent of U.S. Median | 102 |
| Average Family Income* | 27,700 |

State Sales Tax Rate, 1981
General Sales 4% + local
Food Exemption Yes
Cigarettes (pack) $.15
Gasoline (gallon) $.103

Effective Property Tax Rate, FHA Insured Mortgage, '80: 1.08%

Effective State Personal Income Tax Rates, by Income Level of 4 Person Family, 1980
$10,000: 0.5% $17,500: 1.0%
$25,000: 1.5% $50,000: 2.3%

1979 Tax Wealth 99
1979 Tax Effort 86

Per Capita State and Local Debt Outstanding 1978-79

| | Amount | As Percent of U.S. Average |
|---|---|---|
| Long Term | $ 815 | 61 |
| Full Faith | 475 | 72 |
| Nonguaranteed | 340 | 51 |
| Short Term | 103 | 192 |
| Total | 918 | 66 |

OHIO STATE-LOCAL EMPLOYMENT AND SALARIES

| | Number of Full-Time Equivalent Employees, 1979-80 | Total Salaries as a Percent of State Personal Income, 1979-80 | Average Salary Per Full-Time Employee, 1979-80 | U.S. Average Salary Per Full-Time Employee, 1979-80 |
|---|---|---|---|---|
| State | 114,997 | 2.0% | $15,852 | $16,476 |
| Counties | 73,424 | 1.0 | 12,336 | 14,136 |
| Municipalities | 75,095 | 1.3 | 16,368 | 16,428 |
| Townships | 5,473 | 0.1 | 13,632 | 16,284 |
| Ind. School Dist. | 189,613 | 3.3 | 16,620 | 16,308 |
| Special Districts | 14,188 | 0.2 | 15,936 | 16,332 |
| Total State & Local | 472,790 | 7.9 | 15,648 | 16,044 |

STATE REVENUE AND EXPENDITURE LIMITS

No limits.

LOCAL REVENUE AND EXPENDITURE LIMITS

Overall Rate Limit (Constitutional & Stat. 1925) Aggregate level of taxes that can be levied in any subdivision without voter approval limited to 10 mills. Certain funds excluded from the limit. School districts must levy 20 mills.

Levy Limit (Statutory, 1976, amended 1980) Levies above 10 mills rolled back by applying a tax reduction factor to offset increases in assessed value.

STATE: OHIO　　REGION: GREAT LAKES

GENERAL REVENUE, 1978-79

| Level | Total (millions) | Per Capita | Federal Aid | State Aid | Property Tax | Gen.Sales Tax | Income Tax | Other Tax | Charges & Misc. |
|---|---|---|---|---|---|---|---|---|---|
| | | | Percentage Distribution by Source | | | | | | |
| U.S. State & Local | $343,278.4 | $1,560 | 21.9% | N.A. | 18.9% | 13.6% | 14.3% | 13.1% | 18.2% |
| Regional State & Local | 61,677.9 | 1,494 | 20.6 | N.A. | 21.3 | 13.1 | 16.1 | 11.1 | 17.8 |
| State & Local— OH | 13,902.5 | 1,296 | 21.3 | N.A. | 20.1 | 11.3 | 14.7 | 13.0 | 19.4 |
| State | 7,897.7 | 734 | 26.4 | N.A. | 1.7 | 18.1 | 17.4 | 21.4 | 13.9 |
| Local | 9,146.7 | 852 | 9.6 | 33.3 | 29.1 | 1.5 | 7.7 | 1.3 | 17.4 |
| County | 2,041.6 | 190 | 9.5 | 35.2 | 18.5 | 4.5 | — | 2.6 | 25.9 |
| Municipal | 2,514.5 | 234 | 20.7 | 10.2 | 11.0 | — | 28.0 | 2.3 | 25.7 |
| Ind. School Dist. | 4,140.9 | 386 | 0.4 | 48.4 | 44.3 | — | — | — | 6.8 |

DIRECT GENERAL EXPENDITURE, 1978-79

| | Total (millions) | Per Capita | Education | Highways | Public Welfare** | Health & Hospitals | All Other |
|---|---|---|---|---|---|---|---|
| | | | Percentage Distribution by Function | | | | |
| U.S. State & Local | $326,024.0 | $1,481 | 36.6% | 8.7% | 12.4% | 8.7% | 33.6% |
| Regional State & Local | 59,115.7 | 1,432 | 38.5 | 8.4 | 13.6 | 8.4 | 31.2 |
| State & Local— OH | 13,884.6 | 1,294 | 38.9 | 7.9 | 11.7 | 9.3 | 32.1 |
| State | 4,958.0 | 462 | 28.0 | 11.7 | 24.0 | 14.6 | 21.7 |
| Local | 8,926.6 | 832 | 44.9 | 5.8 | 4.9 | 6.4 | 37.9 |
| County | 1,963.7 | 183 | 2.2 | 9.0 | 22.2 | 22.3 | 44.4 |
| Municipal | 2,395.9 | 223 | — | 11.3 | 0.1 | 4.5 | 84.1 |

OHIO STATE-LOCAL GENERAL EXPENDITURES—FEDERAL, STATE, AND LOCAL SHARE OF FINANCES, 1978-79

| | State-Local General Expenditures From ALL Sources | | | | State-Local General Expenditures From OWN Sources | | |
|---|---|---|---|---|---|---|---|
| | Total (millions) | Percent Financed by | | | Total (millions) | State Financed | |
| | | Federal | State | Local | | Percent | U.S.Rank |
| General | $13,886.7 | 21.3% | 41.6% | 37.1 | $10,925.0 | 52.9% | 38 |
| Local Education | 3,661.7 | 6.3 | 43.1 | 50.5 | 3,429.7 | 46.0 | 32 |
| Public Welfare | 1,532.9 | 50.7 | 37.0 | 12.2 | 755.5 | 75.2 | 40 |
| Health & Hospitals | 1,296.8 | 9.3 | 49.5 | 41.2 | 1,175.9 | 54.6 | 25 |
| Highways | 1,098.4 | 23.5 | 58.5 | 18.1 | 840.5 | 76.4 | 13 |

PROPERTY TAX RELIEF AND REFORM

Homestead Exemption or Credit: Elderly and disabled with income below $15,000 have assessments reduced up to $5,000. State reimburses localities.

Circuit Breaker: Homestead exemption has circuit breaker features.

Classified Property Tax: No.

Local Revenue Diversification: Fifty-two counties levy a .5% sales tax. Three transit districts also levy a sales tax. Cities may adopt an income tax up to 2% Over 400 cities have an income tax. School districts may impose an income tax up to 1%.

School Aid Program: Basic support program provides guaranteed yield for the first 20 mills with a lower guarantee for an additional 10 mills. Additional funds for districts with handicapped or disadvantaged students.

State-Local Shared Revenues: State distributes 3.5% of state sales, personal income, and corporate franchise taxes mainly according to assessed value and partly according to population and to cities with local income taxes. Total payments for general local support came to $155.5 million in 1979.

STATE AND LOCAL TAXES WITH AN INITIAL IMPACT ON BUSINESS AS A PERCENT OF STATE PERSONAL INCOME SELECTED YEARS, 1957-77

| | 1977 | 1967 | 1962 | 1957 |
|---|---|---|---|---|
| With Unemployment Compensation Taxes | 3.84 | 3.48 | 3.76 | 2.59 |
| As Percent of U.S. Average | 84 | 89 | 91 | 75 |
| Without Unemployment Compensation Taxes | 3.29 | 2.99 | 3.22 | 2.32 |
| As Percent of U.S. Average | 83 | 87 | 92 | 77 |
| Business Share of Total State-Local Taxes Without Unemployment Comp. | 32.9 | 36.2 | 37.4 | 34.8 |

NOTES

*Average income of family with FHA insured mortgage living in SMSA with state's most populous city. Property taxes are SMSA average.
** Includes Medicaid.

-EXCERPTS-

# Funding Ohio's Human Services:

## *A Framework for Evaluating Selected Tax Policy Options*

*Report of the OCC Task Force on Financing Human Services*

Ohio Citizens' Council
155 N. High Street, Room 300
Columbus, Ohio 43215

## OCC BASIC TAXATION PRINCIPLES

The Ohio Citizens' Council (OCC) agrees that, if additional revenue is needed to finance Ohio's public expenditures, specific tax proposals should be measured against the basic principles of taxation outlined herewith. The Council also encourages other agencies and organizations to consider these principles.

### I. *Adequacy of Revenue Produced*

Prime consideration must be given to the productivity of a given tax option. The tax should produce sufficient revenue to meet needs in a substantive fashion. The major revenue producers for the state of Ohio are the *retail sales tax* (providing 30% of the General Revenue Fund); the *personal income tax* (18%); and the *corporate franchise tax* (13%). The *property tax* is the mainstay for local governments in Ohio.

Since the primary reason for considering support for specific tax increases is clear identification of need, involvement of one or more of these three state taxes would be essential. A 1% increase annually in the retail sales tax could raise $400 million in new revenue; a modest ½% increase in the rates of personal income tax for incomes $20,000 and above could raise $100 million annually; and an increase in the corporate franchise tax rate on net income from 8% to 10% could yield $111 million annually.

Since the *retail sales tax* is the largest revenue producer in the Ohio system, it clearly meets the criteria of adequacy of revenue yield. Ohio's current permanent 4% rate is the median among all states. Its productivity could be increased, with a resulting increase in revenue yield of perhaps $200 million annually, by broadening the tax base to include selected services which are not presently covered by the tax. Increases in revenue from the *sales tax* can be generated quickly once enacted.

The *personal income tax* also measures up well to the criteria of adequacy as a revenue producer. Its revenue potential is sizable and highly responsive to income growth. The state income tax is relatively underused in Ohio.

Ohio's *corporate franchise tax* on net worth (½ of 1%) or on net income (4% of the first $25,000; 8% on the remainder), which ever is larger, is somewhat higher than other states. Most revenue is derived on the basis of net income. Overall, the tax produced $576 million in revenue in 1979. Increasing the productivity of the tax could be accomplished not only by a minimal increase in the rate but also by bringing under the tax currently exempted corporations such as insurance companies, financial institutions, and public utilities. Such inclusion, however would necessitate concurrent readjustment of taxes already imposed on these entities.

Because the *property tax* is so large a source of local tax revenue (the sole local tax source used currently in the case of schools), preservation of the tax is closely linked to maintenance of local fiscal autonomy. For these reasons, anyone concerned with the adequacy of Ohio's state-local revenues to meet needs must give high priority to proposals for preserving and, where possible, restoring the productivity of the property tax. Over the years, the Ohio property tax has been eroded by various exemptions, credits and rollbacks. The result is that the integrity of the property tax as a uniformly applied tax based on the value of property has been seriously compromised.

Revenue from many of the *excise taxes* (cigarettes, gasoline, alcoholic beverages) does not grow with inflation. The rates of these excise taxes should be reviewed in light of inflation.

In addition, the broad-based practice of *earmarking* revenue is not favored, although selective earmarking of certain excise taxes for smaller projects is acceptable.

## II. *Equity*

Who gains and who loses with any tax change has to be evaluated carefully to determine equity. Any propdsed tax change should be fair in the burdens it places on various taxpayers. It should fall equally on those who are in essentially the same economic circumstances. It should differentiate fairly among those whose economic conditions are different. Equity requires consideration of whether the tax is progressive, regressive or proportional to income and/or wealth. A progressive tax is one in which the effective tax rate rises as income rises. A regressive tax is one in which the effective tax rate falls as income rises. A proportional tax rate is one in which the effective tax rate is the same for all income levels.

The *personal income tax* is the only major tax that can be tied to the personal circumstances of the individual taxpayer (age, marital status, family size) and that can be applied at graduated rates. It could be made more equitable by increasing rates on upper incomes and by subdividing brackets on lower incomes. Ohio's median income is about $20,000. Increasing the rates on income above $20,000 would enhance the tax from an equity standpoint..

In addition, the *intangibles tax*, currently a 5% tax on income from stocks and bonds, is inequitable and should be eliminated on the grounds that all income should be taxed under a single rate structure.

As stated earlier, increased revenue could be derived from the *sales tax* either by increasing the rate or by extending the application of the tax to services or both. Equity issues for the sales tax center mainly in the exemptions. On equity grounds the sales tax is, to some degree, objectionable because of its regressivity, though the food exemption overcomes this regressive pattern in an important area. The tax remains regressive since lower income indivuduals and families spend a higher percentage of their income on taxable items than do high income persons. Among families of the same income level, the sales tax tends to fall more heavily on large families. Exempting home heating oil and coal from the sales tax would make it less regressive. In addition, broadening the tax base to include more personal services would add to fairness by taxing purchases more likely to be made by middle and upper income persons.

On equity grounds, the *corporate franchise tax* scores reasonably well, insofar as it relates to net income. The net worth option is less equitable and can cause a firm with little or no corporate net income to pay a substantial state tax. Argument can be made, none-the-less, for corporations to share in the cost of providing public services. Loopholes in the definition of taxable income also impair the equity of the corporate franchise tax.

A restructuring of the rates could be made to encourage small business and the top rate could be raised from 8% to 10% and applied to $50,000 rather than $25,000 in the interest of equity. While large sums of new revenue would not be raised, bringing the currently exempted corporations (insurance companies, financial institutions and public utilities) under the tax, while simultaneously adjusting other special taxes these firms now pay would satisfy a major equity issue with respect to the corporate franchise tax.

In the *property tax* area the equity issue focuses on the real estate tax rollback and the credits applied after reappraisal. The 10% rollback, initiated as part of the 1971 tax programs and increased to 12½% in 1979 on residential real estate, operates as a high cost, poorly targeted, state aid system. Much of the current property tax relief goes to business and indiscriminately to those without financial need. Repealing the program would free up more than $250 million annually in state revenue. The homestead exemption could remain in place. A well designed circuit-breaker could replace the rollback and the credits and achieve the intended goal of tax relief for the elderly and those on fixed incomes.

State collection and distribution of commercial and industrial real property taxes is a feasible option for equalizing revenues among school districts. However, such a change might require a constitutional amendment.

## III. *Economic Impact*

Taxes should be designed to minimize deterrence to economic activity. Ohio already has a higher than average reliance on business taxes in relation to other states. However, since Ohio's total tax load is low, business taxes overall are not generally excessive at present. In one area though, Ohio's *tangible personal property tax* (on business machinery, inventories and equipment) is appreciably higher than most other states which have a similar tax.

The *personal income tax* is relatively free of economic deterrents or distortions. The rates are relatively low.

The economic distortions associated with the *retail sales tax* are small and generally accepted, at least for rates near their present level.

While there is little reason to believe that Ohio's present *corporate franchise tax* has seriously harmed economic growth, a significant increase could have a negative impact on corporations considering Ohio sites.

Elimination of property abatements for business and industry, as one step toward preserving the base of the *property tax*, may have a modest adverse economic impact.

## IV. *Balanced Tax Structure*

There is merit in a balanced and diversified tax structure. A good tax, if overworked, can create more problems at the margin (inequities, adverse economic effects, administrative problems) than an inherently inferior tax that is used relatively lightly. Judgment must therefore be focused on applying the principles outlined above to marginal (incremental) changes in each of the various taxes.

An optimal tax system incorporates a balance among the three major revenue producing taxes (income, sales, property). In addition, balance is needed between business and non-business taxes. A tax program, to be politically acceptable, has to have both business and non-business components, even though, in the long run, all taxes are paid by people. In addition, the effect of proposed tax changes on the balance of fiscal power among federal, state and local levels, between central cities and suburbs, and between rural and urban areas must be weighed.

Ohio's *personal income tax* has some room for rate increases without upsetting the balance. In many respects the state personal income tax is the most obvious source of additional revenue if more revenue is needed. The amounts presently raised by the state income tax in Ohio are relatively small in comparison with other states, though it must be remembered Ohioans also pay municipal taxes on earned income.

The *sales tax* is the largest single source of state tax revenue in the Ohio system. Ohio's 4% rate is the median among all states. Increased revenue could be derived and the sales tax role in the balanced tax structure could be maintained by either increasing the rate or by extending the tax to cover selected services or both.

Although increases would not raise enormous new revenue, the *corporate franchise tax* could also be increased to maintain balance in the system if either the income tax or the sales tax were increased.

With respect to the balanced tax structure and the *property tax*, the reappraisal credits greatly restrain property tax growth. To the extent that this system of credits prevents real estate taxes from keeping pace with school and other local governments costs, it adds to the demands made on other revenue sources.

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